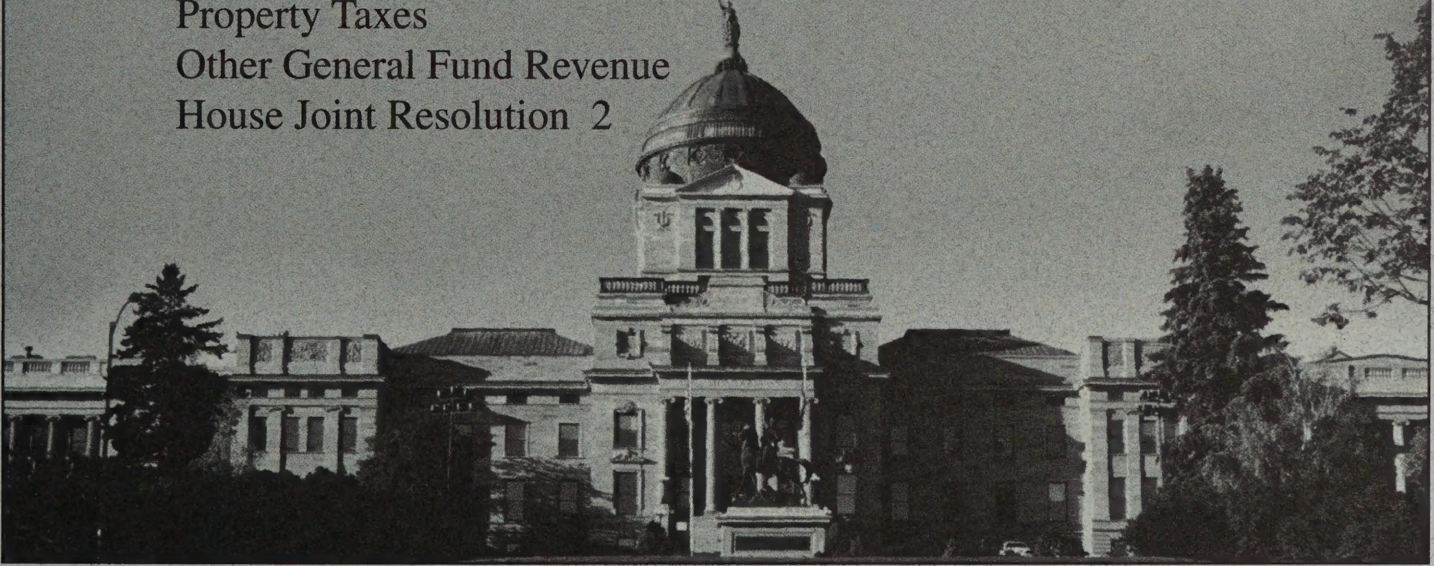
Legislative Fiscal Report 2011 Biennium

Volume 2—Revenue Estimates

Overview
Business and Personal Taxes
Natural Resource Taxes
Interest Earnings
Consumption Taxes
Property Taxes
Other General Fund Revenue
House Joint Resolution 2



June 2009

Legislative Fiscal Division

www.leg.mt.gov/css/fiscal/

Legislative Fiscal Report

2011 Biennium

Volume 2 – Revenue Estimates

Presented to the Sixty-first Legislature

Submitted by the
Legislative Fiscal Division

Helena, Montana
June 2009

Revenue and Transportation Interim Committee

Representative Tim Furey (D)
Representative Galen Hollenbaugh (D)
Representative Mike Jopek (D)
Representative Bob Lake (R)
Representative Jon Sonju (R)
Representative Penny Morgan (R)

Senator Jim Elliott (D)
Senator Kim Gillan (D)
Senator Kristine Kaufmann (D)
Senator Jeff Essmann (R)
Senator Jim Peterson (R)
Senator Robert Story Jr. (R)

Legislative Fiscal Division Staff

Terry Johnson
Catherine Duncan
Roger Lloyd
Jim Standaert

Legislative Fiscal Division

www.leg.mt.gov/css/fiscal

Revenue Estimates
Table of Contents

Revenue Estimates
Table of Contents (continued)

How to Use This Report

The following report provides a detailed profile of the revenue estimates adopted by the 2009 Legislature for the 2011 biennium. It is arranged into six main revenue sections. Each section contains profiles of revenue sources that share common characteristics, have many of the same assumptions, and have common estimating methodologies. The main sections of the report are:

1. Business Taxes
2. Natural Resource Taxes
3. Interest Earnings
4. Consumption Taxes
5. Property Taxes
6. Other General Fund Revenue

The sections are marked by divider pages that list each revenue source within that section. The sources are arranged alphabetically within each section.

The report contains profiles of each revenue source estimated by the 61st Legislature. Nine categories of information are provided for each source. These categories and a short description of each follow:

Revenue Description: A brief description of the source is provided including the origin of the revenue and, in the case of taxes and fees, the item that is taxed.

Statutory Reference: These are the citations from the Montana Code Annotated (MCA) applicable to the revenue source and include citations for the tax rate, the distribution, and when the tax is due.

Applicable Tax Rate(s): This section provides an explanation of the tax rate or license fee, more detail on the items that are taxed, and other information such as exemptions, minimums, initial versus annual fees, etc.

Distribution: This section shows how the revenue is distributed. In cases where uses or entities other than general fund receive a portion of the revenue, percentage distribution or the dollar amount is discussed. This section also contains a simplified flow chart illustrating how the revenue received from the source is distributed in the state accounting system.

Summary of Legislative Action: Legislation adopted by the 2009 Legislature affecting the revenue source and/or distribution is noted and explained. A table is provided showing the revenue impact of each piece of legislation.

% of Total General Fund Revenue: To give the reader an idea of the importance of a particular revenue source, the percentages of total general fund revenue for FY 2006, 2007, and 2008 are included.

Forecast Methodology: This section includes a flow chart illustrating a simplified diagram of the methodology used to determine the revenue estimate.

Revenue Estimate Assumptions: The data provided in these tables are used to derive the revenue estimate and do not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of the revenue source. The tables also show the revenue estimates for fiscal years 2009, 2010, and 2011, the estimated general fund amount and, if applicable, distributions to other funds or uses.

Revenue Projection: This section consists of a graph and accompanying data table. The line graph shows the amount of actual collections and the projected amounts for fiscal years 2009, 2010, and 2011. Total collections are depicted by a dark line while general fund collections are shown by a lighter line. The data table contains historic information about this data source since 1987 including: 1) actual total collections; 2) actual general fund collections; 3) projected total and general fund amounts for fiscal years 2009, 2010, and 2011; and 4) the yearly percentage change for the general fund.

The remaining portion of this document is the legislature's revenue estimates by revenue source.

Overview

General Fund Revenue Estimates
Revenue Impacts of Other Legislation
Non-General Fund Revenue Estimates
Summary of Tax Policy and Revenue Initiatives
Economic Outlook For Montana

www.leg.mt.gov/css/fiscal

General Fund Revenue Estimates

House Joint Resolution 2

During November 2009, prior to the convening of the 61st Legislature, the Revenue and Transportation Interim Committee (RTIC) formally adopted economic assumptions and the associated revenue estimates for fiscal years 2009, 2010 and 2011. This process is in accordance with 5-5-227, MCA, which states that these estimates "constitute the legislature's current revenue estimates until amended or until final adoption of the estimates by both houses." The actions taken by the RTIC were incorporated into HJR 2 and were introduced at the beginning of the Sixty-first Legislature. During the legislative process, the legislature amended certain assumptions that had been initially recommended by the RTIC in HJR 2. Figure 1 shows the total general fund impact of the changed assumptions by the House and Senate. For the three-year period, fiscal 2009 through 2011, total general fund revenue estimates were decreased by $292.6 million from the recommendations of the RTIC.

Figure 1

Revenue Estimate Adjustments by the 61st Legislature
General Fund In Millions

Revenue Issue	Fiscal 2009	Fiscal 2010	Fiscal 2011	3-Year Total
Revenue and Transportation Committee	**$1,915.651**	**$1,873.585**	**$1,941.532**	**$5,730.768**
House Taxation Committee Adjustments	(42.607)	(119.024)	(130.986)	(292.617)
Senate Taxation Committee Adjustments	0.000	0.000	0.000	0.000
Revised HJR2 Revenue Estimates	**$1,873.044**	**$1,754.561**	**$1,810.546**	**$5,438.151**

Figure 2 shows the amended current law general fund estimates by revenue category as contained in HJR 2. Actual fiscal 2008 collections are shown, along with projections for fiscal years 2009 through 2011.

Figure 2

House Joint Resolution 2
General Fund Revenue Estimates
In Millions

	Source of Revenue	Percent of 2008	Actual Fiscal 2008	Estimated Fiscal 2009	Estimated Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 08-09	Estimated Fiscal 10-11	Cumulative % of Total
1	Individual Income Tax	44.36%	$866.659	$852.615	$838.750	$850.014	$1,719.274	$1,688.764	47.37%
2	Property Tax	10.50%	205.044	214.615	221.919	225.719	419.659	447.638	59.93%
3	Corporation Income Tax	8.21%	160.342	157.284	115.638	121.382	317.626	237.020	66.57%
4	Vehicle Tax	4.79%	93.493	93.493	92.247	90.093	186.986	182.340	71.69%
5	Common School Interest and Income	0.00%	-	-	-	-	-	-	71.69%
6	Insurance Tax & License Fees	3.28%	64.004	49.878	47.880	50.353	113.882	98.233	74.44%
7	Coal Trust Interest	1.48%	28.855	29.312	28.574	28.288	58.167	56.862	76.04%
8	US Mineral Royalty	1.86%	36.389	24.885	27.796	30.418	61.274	58.214	77.67%
9	All Other Revenue	1.97%	38.434	65.415	32.126	32.831	103.849	64.957	79.49%
10	Tobacco Settlement	0.19%	3.808	3.956	4.007	4.071	7.764	8.078	79.72%
11	Telecommunications Excise Tax	1.14%	22.350	21.597	21.672	21.761	43.947	43.433	80.94%
12	Video Gambling Tax	3.23%	63.134	66.554	69.003	71.973	129.688	140.976	84.89%
13	Treasury Cash Account Interest	1.58%	30.783	16.507	7.967	15.905	47.290	23.872	85.56%
14	Estate Tax	0.01%	0.122	0.113	0.029	0.005	0.235	0.034	85.56%
15	Oil & Natural Gas Production Tax	7.68%	149.994	94.769	66.930	82.423	244.762	149.353	89.75%
16	Motor Vehicle Fee	0.97%	18.995	18.926	19.672	19.481	37.921	39.153	90.85%
17	Public Institution Reimbursements	0.78%	15.335	13.658	14.412	14.675	28.993	29.087	91.67%
18	Lodging Facility Use Tax	0.69%	13.390	13.109	13.376	13.926	26.499	27.302	92.43%
19	Coal Severance Tax	0.61%	11.894	12.410	12.183	12.959	24.304	25.142	93.14%
20	Liquor Excise & License Tax	0.76%	14.925	15.787	16.558	17.609	30.712	34.167	94.10%
21	Cigarette Tax	1.84%	36.004	34.564	32.984	33.053	70.568	66.037	95.95%
22	Investment License Fee	0.33%	6.514	6.127	6.210	6.825	12.641	13.035	96.31%
23	Lottery Profits	0.56%	11.029	10.275	10.906	11.453	21.304	22.359	96.94%
24	Liquor Profits	0.45%	8.775	8.651	8.837	9.194	17.426	18.031	97.45%
25	Nursing Facilities Fee	0.29%	5.610	5.318	5.213	5.109	10.928	10.322	97.74%
26	Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.74%
27	Electrical Energy Tax	0.27%	5.179	4.707	4.717	4.727	9.886	9.444	98.00%
28	Metalliferous Mines Tax	0.55%	10.774	6.777	3.248	3.279	17.551	6.527	98.18%
29	Highway Patrol Fines	0.21%	4.049	4.052	4.055	4.058	8.101	8.113	98.41%
30	Public Contractors Tax	0.26%	5.063	4.058	4.322	4.357	9.121	8.679	98.66%
31	Wholesale Energy Tax	0.20%	3.856	3.870	3.931	3.993	7.726	7.924	98.88%
32	Tobacco Tax	0.24%	4.699	4.710	4.738	4.796	9.409	9.534	99.15%
33	Driver's License Fee	0.20%	3.866	4.667	3.920	4.739	8.533	8.659	99.39%
34	Rental Car Sales Tax	0.16%	3.157	3.118	3.182	3.313	6.275	6.495	99.57%
35	Railroad Car Tax	0.11%	2.064	2.166	2.295	2.336	4.230	4.631	99.70%
36	Wine Tax	0.09%	1.829	1.942	2.043	2.146	3.771	4.189	99.82%
37	Beer Tax	0.16%	3.124	3.160	3.221	3.282	6.284	6.503	100.00%
38	Telephone License Tax	0.00%	-	-	-	-	-	-	100.00%
39	Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
	Total General Fund	100.00%	$1,953.540	$1,873.044	$1,754.561	$1,810.546	$3,826.584	$3,565.107	100.00%

Revenue Impacts of Other Legislation

Figure 3 shows the revenue impacts of legislation enacted by the 61st Legislature. If more than one bill were enacted that impact a certain revenue source, the cumulative impact of the bills is shown for each revenue source.

Figure 3

Revenue Legislation Impacts of 61st Legislature
Total General Fund
In Millions

	Source of Revenue	Estimated Fiscal 2009	Estimated Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 08-09	Estimated Fiscal 10-11	Estimated 09,10,11
1	Individual Income Tax	$0.000	$1.513	$2.732	$0.000	$4.245	$4.245
2	Property Tax	-	6.934	6.529	-	13.463	13.463
3	Corporation Income Tax	-	-	(0.011)	-	(0.011)	(0.011)
4	Vehicle Tax	-	-	-	-	-	-
5	Common School Interest and Income	-	-	-	-	-	-
6	Insurance Tax & License Fees	-	10.882	11.445	-	22.327	22.327
7	Coal Trust Interest	-	-	-	-	-	-
8	US Mineral Royalty	-	-	-	-	-	-
9	All Other Revenue	(29.565)	3.121	2.361	(29.565)	5.482	(24.083)
10	Tobacco Settlement	-	-	-	-	-	-
11	Telecommunications Excise Tax	-	-	-	-	-	-
12	Video Gambling Tax	-	-	-	-	-	-
13	Treasury Cash Account Interest	-	-	-	-	-	-
14	Estate Tax	-	-	-	-	-	-
15	Oil & Natural Gas Production Tax	-	-	-	-	-	-
16	Motor Vehicle Fee	-	(1.702)	(2.269)	-	(3.971)	(3.971)
17	Public Institution Reimbursements	1.124	1.635	0.355	1.124	1.990	3.114
18	Lodging Facility Use Tax	-	-	-	-	-	-
19	Coal Severance Tax	-	(1.337)	(1.400)	-	(2.737)	(2.737)
20	Liquor Excise & License Tax	-	0.023	0.032	-	0.055	0.055
21	Cigarette Tax	-	(0.977)	(0.987)	-	(1.964)	(1.964)
22	Investment License Fee	-	-	-	-	-	-
23	Lottery Profits	-	0.063	0.064	-	0.127	0.127
24	Liquor Profits	-	(1.798)	(0.045)	-	(1.843)	(1.843)
25	Nursing Facilities Fee	-	-	-	-	-	-
26	Foreign Capital Depository Tax	-	-	-	-	-	-
27	Electrical Energy Tax	-	-	-	-	-	-
28	Metalliferous Mines Tax	-	-	-	-	-	-
29	Highway Patrol Fines	-	-	-	-	-	-
30	Public Contractors Tax	-	-	-	-	-	-
31	Wholesale Energy Tax	-	-	-	-	-	-
32	Tobacco Tax	-	-	-	-	-	-
33	Driver's License Fee	-	-	-	-	-	-
34	Rental Car Sales Tax	-	-	-	-	-	-
35	Railroad Car Tax	-	-	-	-	-	-
36	Wine Tax	-	-	-	-	-	-
37	Beer Tax	-	(0.003)	(0.004)	-	(0.007)	(0.007)
38	Telephone License Tax	-	-	-	-	-	-
39	Long Range Bond Excess	-	-	-	-	-	-
	Total General Fund	($28.441)	$18.354	$18.802	($28.441)	$37.156	$8.715

Figure 4 shows the revised general fund revenue estimates by source which is the sum of HJR 2 estimates and all enacted legislation impacts. These revised estimates are used in "Volume 1 – Statewide Perspectives" to determine the overall financial condition of the general fund for the 2009 and 2011 biennia.

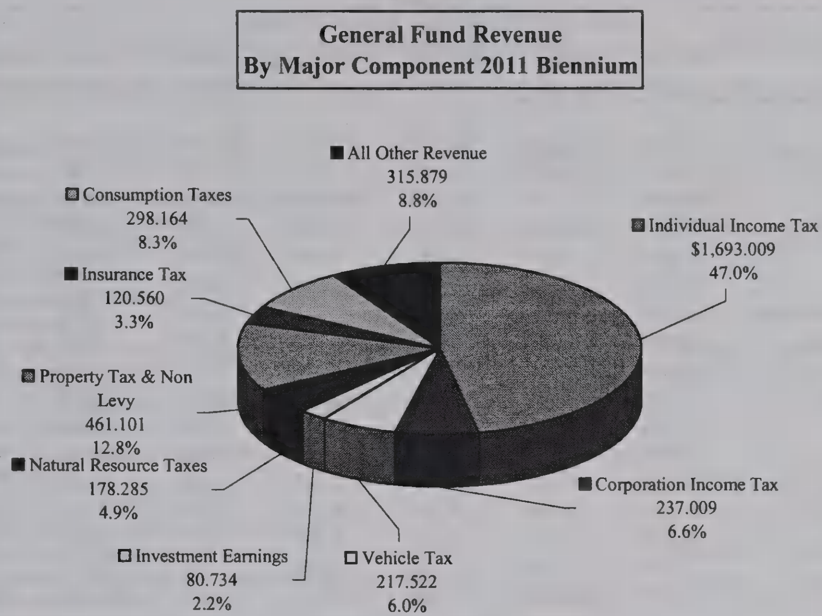
Figure 4

House Joint Resolution 2 Plus Legislation Impacts
General Fund Revenue Estimates
In Millions

	Source of Revenue	Percent of 2008	Actual Fiscal 2008	Estimated Fiscal 2009	Estimated Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 08-09	Estimated Fiscal 10-11	Cumulative % of Total
1	Individual Income Tax	44.36%	$866.659	$852.615	$840.263	$852.746	$1,719.274	$1,693.009	47.00%
2	Property Tax	10.50%	205.044	214.615	228.853	232.248	419.659	461.101	59.80%
3	Corporation Income Tax	8.21%	160.342	157.284	115.638	121.371	317.626	237.009	66.38%
4	Vehicle Tax	4.79%	93.493	93.493	92.247	90.093	186.986	182.340	71.44%
5	Common School Interest and Income	0.00%	-	-	-	-	-	-	71.44%
6	Insurance Tax & License Fees	3.28%	64.004	49.878	58.762	61.798	113.882	120.560	74.79%
7	Coal Trust Interest	1.48%	28.855	29.312	28.574	28.288	58.167	56.862	76.37%
8	US Mineral Royalty	1.86%	36.389	24.885	27.796	30.418	61.274	58.214	77.98%
9	All Other Revenue	1.97%	38.434	35.850	35.247	35.192	74.284	70.439	79.94%
10	Tobacco Settlement	0.19%	3.808	3.956	4.007	4.071	7.764	8.078	80.16%
11	Telecommunications Excise Tax	1.14%	22.350	21.597	21.672	21.761	43.947	43.433	81.37%
12	Video Gambling Tax	3.23%	63.134	66.554	69.003	71.973	129.688	140.976	85.28%
13	Treasury Cash Account Interest	1.58%	30.783	16.507	7.967	15.905	47.290	23.872	85.94%
14	Estate Tax	0.01%	0.122	0.113	0.029	0.005	0.235	0.034	85.94%
15	Oil & Natural Gas Production Tax	7.68%	149.994	94.769	66.930	82.423	244.762	149.353	90.09%
16	Motor Vehicle Fee	0.97%	18.995	18.926	17.970	17.212	37.921	35.182	91.07%
17	Public Institution Reimbursements	0.78%	15.335	14.782	16.047	15.030	30.117	31.077	91.93%
18	Lodging Facility Use Tax	0.69%	13.390	13.109	13.376	13.926	26.499	27.302	92.69%
19	Coal Severance Tax	0.61%	11.894	12.410	10.846	11.559	24.304	22.405	93.31%
20	Liquor Excise & License Tax	0.76%	14.925	15.787	16.581	17.641	30.712	34.222	94.26%
21	Cigarette Tax	1.84%	36.004	34.564	32.007	32.066	70.568	64.073	96.04%
22	Investment License Fee	0.33%	6.514	6.127	6.210	6.825	12.641	13.035	96.40%
23	Lottery Profits	0.56%	11.029	10.275	10.969	11.517	21.304	22.486	97.02%
24	Liquor Profits	0.45%	8.775	8.651	7.039	9.149	17.426	16.188	97.47%
25	Nursing Facilities Fee	0.29%	5.610	5.318	5.213	5.109	10.928	10.322	97.76%
26	Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.76%
27	Electrical Energy Tax	0.27%	5.179	4.707	4.717	4.727	9.886	9.444	98.02%
28	Metalliferous Mines Tax	0.55%	10.774	6.777	3.248	3.279	17.551	6.527	98.20%
29	Highway Patrol Fines	0.21%	4.049	4.052	4.055	4.058	8.101	8.113	98.43%
30	Public Contractors Tax	0.26%	5.063	4.058	4.322	4.357	9.121	8.679	98.67%
31	Wholesale Energy Tax	0.20%	3.856	3.870	3.931	3.993	7.726	7.924	98.89%
32	Tobacco Tax	0.24%	4.699	4.710	4.738	4.796	9.409	9.534	99.15%
33	Driver's License Fee	0.20%	3.866	4.667	3.920	4.739	8.533	8.659	99.39%
34	Rental Car Sales Tax	0.16%	3.157	3.118	3.182	3.313	6.275	6.495	99.57%
35	Railroad Car Tax	0.11%	2.064	2.166	2.295	2.336	4.230	4.631	99.70%
36	Wine Tax	0.09%	1.829	1.942	2.043	2.146	3.771	4.189	99.82%
37	Beer Tax	0.16%	3.124	3.160	3.218	3.278	6.284	6.496	100.00%
38	Telephone License Tax	0.00%	-	-	-	-	-	-	100.00%
39	Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
	Total General Fund	100.00%	$1,953.540	$1,844.603	$1,772.915	$1,829.348	$3,798.143	$3,602.263	100.00%

Figure 5 shows the revenue contribution to the general fund account by the most significant revenue components. During the 2011 biennium, over 72 percent of total general fund revenue comes from income, property, and vehicle taxes, while about 2 percent is generated from investment earnings. Natural resource taxes are estimated to produce about 5 percent of total general fund revenue during the 2011 biennium. The information shown in Figure 5 illustrates the significant dependence the state has on income, property, and vehicle taxes to fund general government operations. In addition, Figure 5 shows the general fund will receive an estimated $81 million in the 2011 biennium from investment earnings. Although these revenues are due to the state investment of taxpayer dollars, they can be viewed as taxpayer savings or relief. Without these revenues, the state would either have to cut services, increase other revenues, or do a combination of both.

Figure 5



Major Category	2009 Biennium Estimate Millions	2011 Biennium Estimate Millions	Percent Change	Percent of 2011 Biennium
Individual Income Tax	$1,719.274	$1,693.009	-1.53%	47.00%
Corporation Income Tax	317.626	237.009	-25.38%	6.58%
Vehicle Tax	224.907	217.522	-3.28%	6.04%
Investment Earnings	105.456	80.734	-23.44%	2.24%
Natural Resource Taxes	286.618	178.285	-37.80%	4.95%
Property Tax & Non Levy	419.659	461.101	9.88%	12.80%
Insurance Tax	113.882	120.560	5.86%	3.35%
Consumption Taxes	289.162	298.164	3.11%	8.28%
All Other Revenue	321.560	315.879	-1.77%	8.77%
Total General Fund	**$3,798.143**	**$3,602.263**	**-5.16%**	

Total general fund revenues for the 2011 biennium are projected to decrease 5.2 percent over the 2009 biennium projections. The comparative changes by major revenue category are shown at the bottom of Figure 5. Included in these amounts is $8.7 million of additional revenue in the 2011 biennium due to the enactment of the legislation shown in Figure 3.

Non-General Fund Revenue Estimates

Figure 6 shows estimates for selected non-general fund revenue for fiscal years 2009, 2010, and 2011 as contained in HJR 2 and from enacted legislation. These estimates are included because of their importance in the budgeting process.

Figure 6

House Joint Resolution 2 Plus Legislation Impacts
Non-General Fund Revenue Estimates
In Millions

	Source of Revenue	Percent of 2008	Actual Fiscal 2008	Estimated Fiscal 2009	Estimated Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 08-09	Estimated Fiscal 10-11	Cumulative % of Total
1	Diesel Tax	19.87%	$74.302	$67.750	$68.633	$69.604	$142.052	$138.237	19.04%
2	Federal Forest Receipts	3.48%	13.028	26.953	24.258	21.832	39.981	46.090	25.39%
3	Gasoline Tax	35.08%	131.147	123.278	129.003	128.325	254.425	257.328	60.85%
4	GVW and Other Fees	8.09%	30.238	30.727	31.192	31.672	60.965	62.864	69.51%
5	Resource Indemnity Tax	0.52%	1.926	1.987	1.949	2.517	3.913	4.466	70.12%
6	Arts Trust Interest	0.16%	0.584	0.632	0.645	0.663	1.216	1.308	70.30%
7	Capital Land Grant Interest and Income	0.26%	0.983	0.898	0.791	0.412	1.881	1.203	70.47%
8	Deaf & Blind Interest and Income	0.09%	0.334	0.333	0.337	0.335	0.667	0.672	70.56%
9	Parks Trust Interest	0.27%	1.025	1.051	1.078	1.110	2.076	2.188	70.86%
10	Pine Hills Interest and Income	0.12%	0.435	0.443	0.450	0.454	0.878	0.904	70.99%
11	RIT Trust Interest	1.55%	5.801	5.579	5.576	5.583	11.380	11.159	72.52%
12	TSE Trust Interest	2.46%	9.194	9.244	9.712	10.492	18.438	20.204	75.31%
13	Economic Development Trust	0.48%	1.801	2.088	2.343	2.683	3.889	5.026	76.00%
14	Tobacco Trust Interest	1.22%	4.546	5.283	6.022	6.784	9.829	12.806	77.76%
15	Regional Water Trust Interest	0.58%	2.175	2.328	2.570	2.941	4.503	5.511	78.52%
16	Property Tax: 6 Mill	3.56%	13.313	13.702	14.874	15.101	27.015	29.974	82.65%
17	Common School Interest and Income	22.21%	83.026	82.088	69.315	56.601	165.114	125.916	100.00%
	Total Non-General Fund	100.00%	$373.856	$374.364	$368.748	$357.109	$748.220	$725.856	100.00%

Summary of Tax Policy and Revenue Initiatives

Figure 7 shows the revenue impacts of legislation enacted by the 61st Legislature summarized by bill number. For the three- year period, fiscal years 2009 through 2011, total general fund revenues increase a net $8.7 million. Large increases totaling $54 million from five bills, (HB10-long range technology, HB645-federal stimulus, HB658-mitigate reappraisal, HB676-implement HB2, and SB489-revised pipeline taxation) were offset by large reductions totaling $45 million from six bills (HB2-general appropriations act, HB5-long range building, HB154-make fire suppression fund permanent, HB213-SW Montana veteran's home, SB100-increase coal board funding, and SB508-revise motor vehicle laws).

Figure 7

Impact of Enacted Legislation By Bill Number
General Fund and Total Funds

Bill Number and Short Description	General Fund Impact Fiscal 2009	General Fund Impact Fiscal 2010	General Fund Impact Fiscal 2011	General Fund Impact 09,10,11	Total Funds Impact 09,10,11
HB0002 General appropriations act	-	(928,907)	(654,322)	(1,583,229)	(1,583,229)
HB0005 Long-range building appropriations -- include energy conservation	-	(1,850,000)	-	(1,850,000)	18,207,000
HB0010 Long range information technology funding bill	-	1,500,000	2,153,000	3,653,000	51,676,587
HB0021 Repeal termination date for recycling tax incentives	-	-	-	-	-
HB0027 Revise universal system benefit laws	-	-	-	-	451,144
HB0042 Forest management program for FWP land	-	-	-	-	300,000
HB0071 Repeal sunset of hospital bed tax	-	-	-	-	135,894,958
HB0082 Revise deposit of stranded 911 revenue	-	(481,052)	(513,619)	(994,671)	-
HB0108 Revise deposit of restitution payments	-	(200,000)	(200,000)	(400,000)	-
HB0132 Diversion from involuntary commitment to short-term inpatient treatment	-	-	(252,706)	(252,706)	(252,706)
HB0152 Quality schools facility grant program	-	-	-	-	-
HB0154 Make fire suppression fund permanent, fund and revise use	(32,915,000)	-	-	(32,915,000)	(32,915,000)
HB0160 Revise captive insurer laws	-	(7,500)	(7,500)	(15,000)	(86,167)
HB0163 Revise tax incentives for motion picture industry	-	-	(50,000)	(50,000)	(40,000)
HB0171 Repeal state regulation of pro and semipro combative events	-	-	-	-	(82,162)
HB0213 Establish SW Montana veteran's home	-	(977,029)	(986,661)	(1,963,690)	-
HB0262 Revise list of low emission wood combustion devices that qualify for tax credit	-	(28,000)	(43,000)	(71,000)	(71,000)
HB0279 Revise laws relating to transportation	-	-	-	-	(206,352)
HB0283 Revise workers compensation act on exemptions, claims examiners, safety funding	-	-	-	-	19,000
HB0290 Increase sales amount requiring produce license for farmer's market vendors	-	-	-	-	(6,114)
HB0306 Extend certain permanent license plates for motorcycles	-	10	20	30	30
HB0315 Increase amount and slow phase out of retiree exclusion from income	-	-	(107,000)	(107,000)	(107,000)
HB0318 Regulate debt settlement companies	-	-	-	-	91,500
HB0331 Revise laws relating to licensed establishments for health purposes	-	19,666	19,666	39,332	565,030
HB0384 Revise volume cap bond procurement laws	-	19,847	19,847	39,694	39,694
HB0412 Revise liquor excise tax rates for smaller producers	-	-	-	-	-
HB0416 Exempt certain biodiesel from state tax	-	-	-	-	(176,252)
HB0478 Eliminate licensing fees for small plant sellers	-	-	-	-	(46,550)
HB0480 Authorizing nonresident youth bird hunting at discounted price	-	-	-	-	(17,080)
HB0487 Classify as business inventories certain farm implements and construction equip.	-	(58,622)	(61,537)	(120,159)	(127,749)
HB0578 Health corps for in-home medical care	-	-	-	-	12,661
HB0583 Fund food and agriculture innovation centers	-	250,000	250,000	500,000	500,000
HB0585 Implement PL/PW recommendations: "Come Home to Hunt" pilot project	-	-	-	-	986,000
HB0588 Revise coal gross proceeds distribution	-	-	-	-	(1,328,578)
HB0634 Revise law on transportation of mentally ill	-	-	-	-	866,022
HB0636 Tax incentive to sell mobile home park to resident's group	-	(8,590)	(8,590)	(17,180)	(17,180)
HB0645 Implement receipt of and appropriate federal stimulus and recovery funds	4,474,404	6,199,802	4,073,091	14,747,297	15,047,297
HB0655 Revise agriculture laws	-	-	-	-	20,800
HB0656 Revise liquor store commissions	-	(30,062)	(32,556)	(62,618)	(62,618)
HB0658 Mitigate reappraisal	-	3,320,276	2,757,915	6,078,191	6,459,947
HB0662 License massage therapists	-	-	-	-	51,206
HB0669 Establish wood product industry loan program	-	-	-	-	7,997,800
HB0674 Generally revise laws relating to state land	-	-	-	-	21,000,000
HB0676 Statutory implementation of general appropriations act	-	10,889,921	11,452,464	22,342,385	(3,367,861)
HB0678 Revise opencut mining laws	-	-	-	-	1,263,735
SB0021 Clarify distribution of certain motor vehicle revenue	-	-	-	-	42,145
SB0024 Repeal Montana Consensus Council statutes	-	-	-	-	(256,650)
SB0038 Revise laws governing nurseries and plant dealers	-	-	-	-	6,000
SB0057 Revise laws governing special districts	-	-	-	-	77,850
SB0062 Fix discrepancy in environmental contingency account funding	-	-	-	-	-
SB0065 Revise trust land funding laws	-	-	-	-	1,669,743
SB0086 Revise gambling laws	-	-	-	-	800
SB0100 Increase coal board funding	-	(1,336,784)	(1,399,859)	(2,736,643)	-

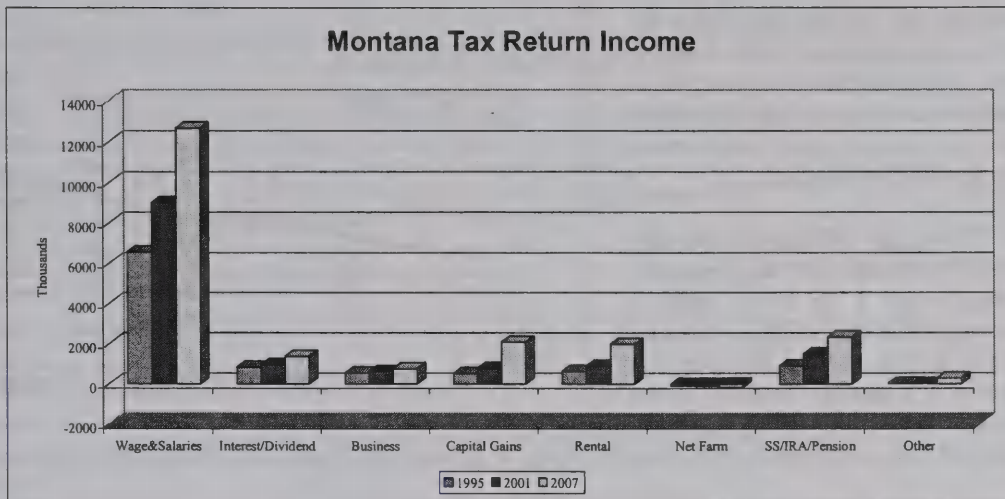
Figure 7 continues on the next page

Figure 7 (continued)
Revenue Impacts of Enacted Legislation by Bill Number
General Fund and Total Funds

SB0115 Simplify income calculations for certain property tax assistance programs	-	(1,789)	(1,789)	(3,578)	(3,804)
SB0119 Medicaid buy-in option for individuals with disabilities	-	-	-	-	256,469
SB0126 Implement lifetime rodeo bull transportation permit	-	-	-	-	1,500
SB0131 Require DNRC to designate wildland-urban interface	-	-	-	-	287,854
SB0152 Revise motor vehicle registration and driver's license laws	-	290	580	870	450
SB0164 Revise FWP land management and acquisition re: Good Neighbor Policy	-	-	-	-	1,637,200
SB0181 Require tax information agents to report certain real estate transactions	-	-	900,000	900,000	900,000
SB0185 Nonresident college student combination game license	-	-	-	-	83,380
SB0192 Small business work comp relief	-	-	-	-	182,546
SB0204 Montana centennial farm and ranch program	-	-	-	-	16,500
SB0264 Revise Montana facility finance authority	-	-	-	-	19,000
SB0271 Licensure and regulation for marriage and family therapists	-	-	-	-	11,250
SB0275 Add additional pharmacist to board of pharmacy	-	-	-	-	5,462
SB0280 Revise tax exemption of rental personal property	-	(23,338)	(24,498)	(47,836)	(50,857)
SB0281 Revise driver license suspension law	-	3,367	3,767	7,134	7,134
SB0292 Revise coal severance tax	-	-	-	-	-
SB0297 Map state gravel resources	-	-	-	-	71,220
SB0300 Increase fertilizer fee check off to fund research and education	-	-	-	-	400,304
SB0322 Revise apiary laws	-	-	-	-	(568)
SB0351 Revise residential mortgage licensing law	-	-	-	-	1,403,714
SB0353 Remove license tax incentive for ethanol	-	-	-	-	12,704,142
SB0356 Licensure for manufactured housing dealers	-	1,500	-	1,500	1,500
SB0392 Revise subdivision laws	-	-	-	-	20,000
SB0399 Report on placement of youth with mental health needs	-	-	-	-	9,000
SB0418 Revise administrative provisions of individual income tax	-	50,000	(124,038)	(74,038)	(74,038)
SB0425 Revise laws governing funding and operation of Fort Peck fish hatchery	-	-	-	-	-
SB0438 Regulate sale of alcoholic energy drinks	-	36,207	49,196	85,403	101,712
SB0446 Revise specialty hospital law	-	-	-	-	40,000
SB0465 Clarify ownership of streambeds concerning property taxation	-	89,815	44,908	134,723	143,186
SB0475 Require notice of oil or gas lease sale	-	-	-	-	(41)
SB0489 Revise taxation laws related to pipelines	-	3,607,991	3,813,646	7,421,637	7,890,372
SB0507 Use of river beds	-	-	-	-	214,396
SB0508 Revise motor vehicle laws	-	(1,702,598)	(2,269,330)	(3,971,928)	4,923,185
SB0509 Revise contract sales price of underground mined coal	-	-	-	-	-
SB0510 Abatement of half of coal gross proceeds tax for new underground mine	-	-	-	-	-
SB0511 Retail license to sell table wine for sacramental purposes	-	1,140	840	1,980	1,980
SJ0475 Require notice of oil or gas lease sale	-	-	-	-	(9,092)
Total Impact of Legislation Listed Above	($28,440,596)	$18,355,561	$18,801,935	$8,716,900	$253,691,757

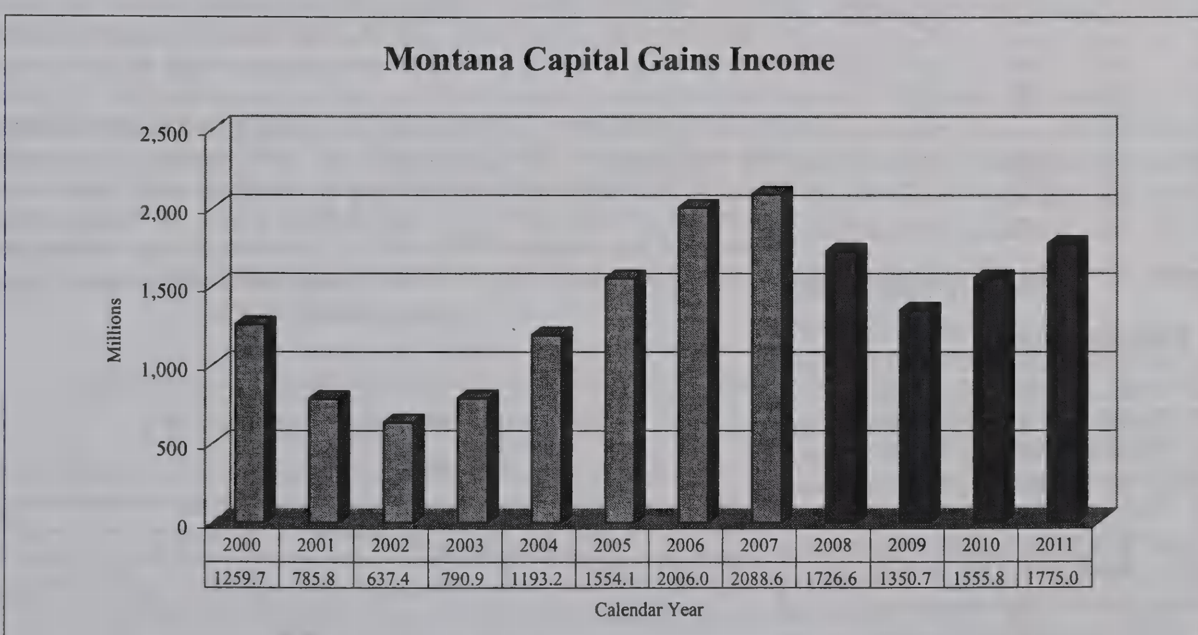
Economic Outlook for Montana

Montana Total Income



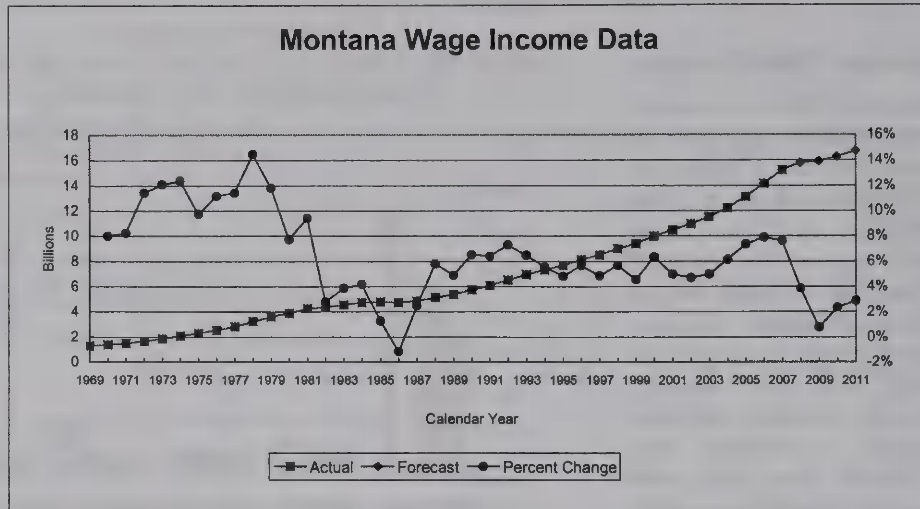
The total of all income sources listed on the Montana personal income tax form is referred to as Montana total income. The Department of Revenue tracks income from 11 different components, including wages, interest, dividends, business, capital gains, supplemental, rental, farm, social security, IRA and pension, and other incomes. Montana total income is the single most important variable to consider in the revenue estimation process. Of the 11 income items, wage and salary income provides the largest portion of Montana total income. Since 1990, wage and salary income has contributed an annual average of 64.1 percent of total income. In calendar 2007, it contributed 59.4 percent, or $12.7 billion. The average compounded growth rate from calendar 1990 to 2007 has been 5.6 percent

In recent times, capital gains income has been the focus of much conversation and speculation. Capital gains income has increased in relative importance over the decade. In 1990, capital gains made up only 4.2 percent of total income, with reported income of $318 million. In 2001, capital gains receded to 5.7 percent of total income, with income at $786 million, a reduction of over 37.6 percent over the previous year. In 2007, capital gains income was $2,089 million and increased to nearly 9.8 percent of total income.



In 2002 capital gains income fell by $622.3 million from the 2000 level, but rebounded in calendar 2003 through 2007. Capital gains are projected to decline in 2008 and rebound at a average rate of 14.7 percent in 2010 and 2011.

Montana Wages



The average annual growth in Montana wages and salaries has been 5.9 percent between 1991 and 2007. Wage growth exceeding this average occurred in the early nineties and again in the last four years, 2004-2007. In both these periods inflation was relatively high, i.e. greater than 2.5 percent, and employment growth was relatively high.

The forecast for inflation for calendar years 2008 through 2011 is provided by Global Insight in the March issue of forecasts. Inflation for 2008 is forecast to be at 3.8 percent and then turn to a negative 1.9 percent in 2009 as the national and world economies slow down and enter a recession. Inflation is expected to increase to 1.5 percent in 2010 and 2.4 percent in 2011.

Wage and Salary Income Growth

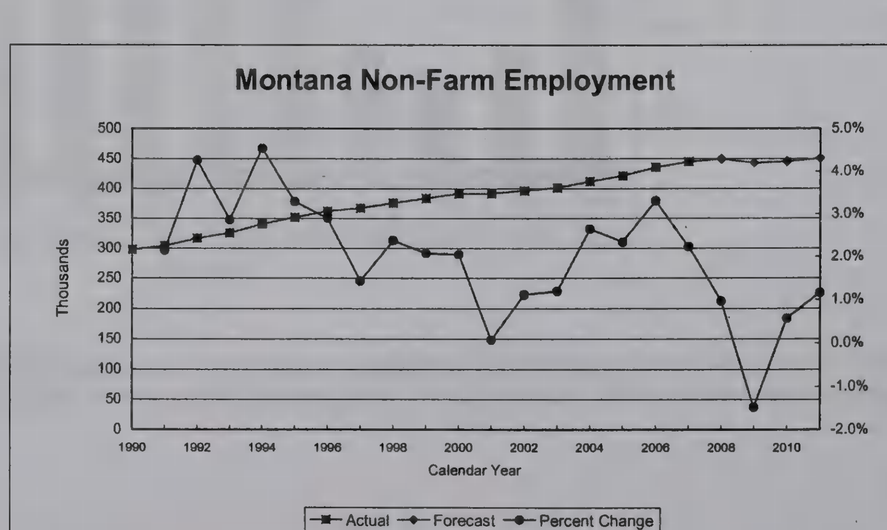
	Calendar Year	Employment Growth	Inflation	Real Wage Per Worker	Wage Growth
A	1991	2.1%	4.8%	-0.6%	6.4%
A	1992	4.3%	3.6%	-0.7%	7.3%
A	1993	2.9%	3.0%	0.5%	6.5%
A	1994	4.5%	2.8%	-1.7%	5.5%
A	1995	3.1%	2.7%	-1.0%	4.8%
A	1996	2.8%	2.9%	-0.1%	5.6%
A	1997	1.3%	2.6%	0.9%	4.8%
A	1998	2.2%	1.9%	1.5%	5.7%
A	1999	2.0%	1.9%	0.6%	4.5%
A	2000	1.9%	2.8%	1.4%	6.3%
A	2001	1.2%	3.1%	0.7%	5.0%
A	2002	1.1%	2.2%	1.3%	4.7%
A	2003	1.2%	2.0%	1.7%	5.0%
A	2004	2.7%	2.5%	0.9%	6.1%
A	2005	2.2%	3.0%	1.9%	7.3%
A	2006	3.4%	3.3%	1.0%	7.9%
A	2007	2.2%	2.7%	2.5%	7.6%
F	2008	1.0%	3.8%	-0.9%	3.9%
F	2009	-1.5%	-1.9%	4.2%	0.8%
F	2010	0.6%	1.5%	0.2%	2.3%
F	2011	1.2%	2.4%	-0.7%	2.9%

The growth in wages for calendar 2008 though 2011 is provided by Global Insight in their February Montana-specific report. In calendar 2005 through 2007, wages on average grew at an historically high rate of around 7.5 percent. For 2008, growth of only 3.9 percent is expected, dropping to 0.8 percent in 2009, and rising to 2.3 percent in 2010 and 2.9 percent in 2011.

Employment is also expected to slow down in 2008 through 2011. Employment growth since 2003 has been between 2.2 percent and 3 percent. Forecasts from Global Insight for Montana employment show Montana's employment growth at 1.0 percent for 2008, negative 1.5 percent for 2009, 0.6 percent for 2010 and 1.2 percent for 2011. Negative growth in employment is expected in almost all sectors in 2009 except in education and health services. All sectors are expected to rebound somewhat in 2010 and 2011 as the national economy comes out of the recession.

Growth in real wages per worker, defined as wages per worker adjusted for inflation, was low in the early nineties, but above the 1991-2007 average of 0.6 percent growth since 1997. Because of the assumptions on growth in wages, employment, and inflation for 2008 and 2009, it is expected that wages per worker, adjusted for inflation, will turn negative in 2008 and 2011, a situation that has not been seen since the early nineties. Growth in real wages per worker is expected to be positive in fiscal 2009 because inflation is expected to be negative.

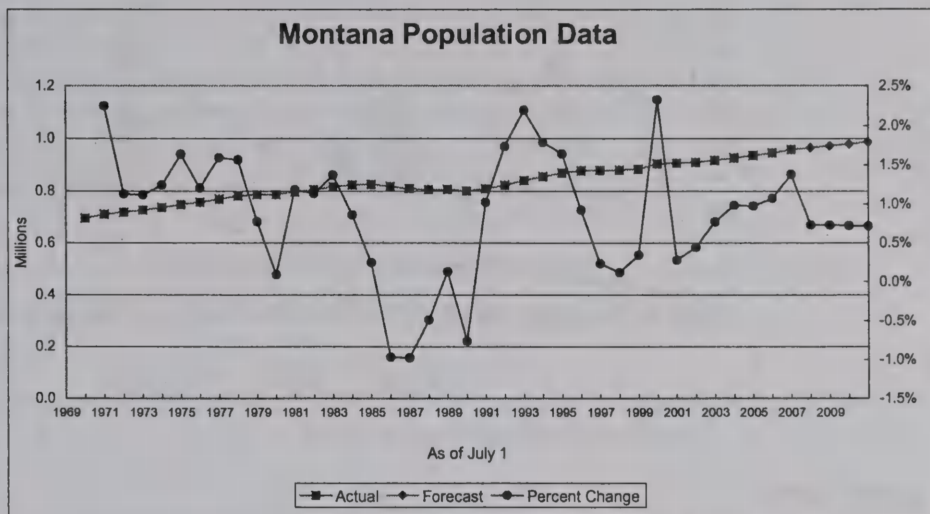
Montana Employment



Average annual growth in total employment between 1990 and 2007 was 2.6 percent, although between 2000 and 2007, the average rate of growth has been 1.8 percent. Total non-farm employment is expected to grow by about 1.0 percent in calendar 2008. Since 1990, the fastest growing sector in terms of employment has been construction, which experienced a 6.6 percent annual increase in employment. Other fast growing sectors have been professional and business services (5.5 percent annual growth), education and health services (3.2 percent annual growth), and accommodation and food services (3.1 percent annual growth). Sectors that have experienced reduced or

stable employment since 1990 are mining and manufacturing. Mining employment is expected to increase during the forecast period. Employment is expected to decline in calendar 2009 by 1.5 percent and then increase moderately in calendar 2010 and 2011 by 0.6 and 1.2 percent, respectively.

Montana Population



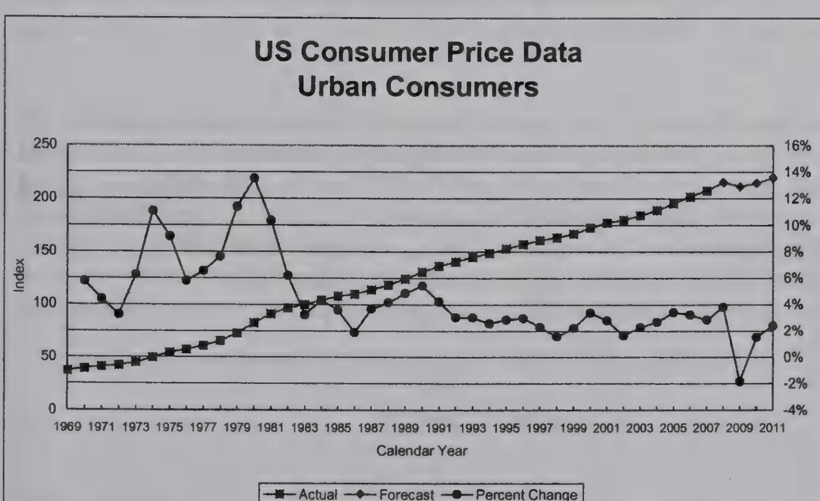
Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide. Accurate population estimates are especially important when determining the changes expected in overall and per capita income for the state.

Consumption of any given item is highly reliant upon the size of the population, so accurate population forecasts are essential when determining tax revenues from the sources mentioned above. Historic population data are gathered from the U.S. Census department while projections are obtained from Global Insight. Since the early 1990's, Montana has experienced positive growth in total population varying between 0.1 percent in 1998 to 2.3 percent in 2000. Growth through the next biennium is estimated at about 0.7 percent annually.

Inflation Rates

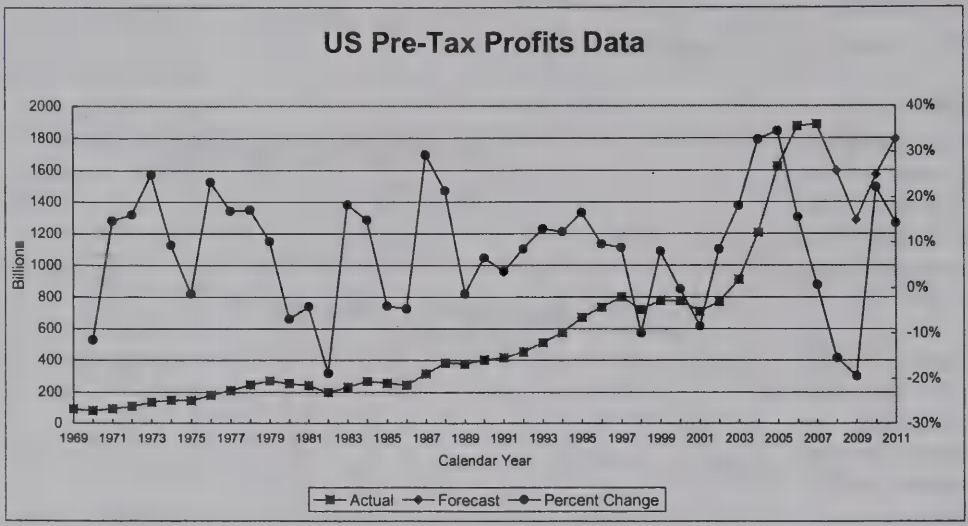
The inflation rate is measured by the price change of the Consumer Price Index (CPI) "shopping basket" of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable income and spends less. Several areas where this information is vital in determining costs include minerals, timber, energy resources, and most services.

Since Montana's individual income tax structure is fully indexed by changes in the consumer price index, this assumption is critical in the formulation of the individual income tax forecasts. The U.S. Bureau of Labor Statistics provides the required CPI data for the all-urban consumers data set. Since 1990, the average annual rate of inflation has been 2.8 percent. Global Insight forecasts inflation at 3.8 percent for calendar 2008, a negative 1.9 percent for calendar 2009, and 1.5 and 2.4 for calendar 2010 and 2011, respectively.



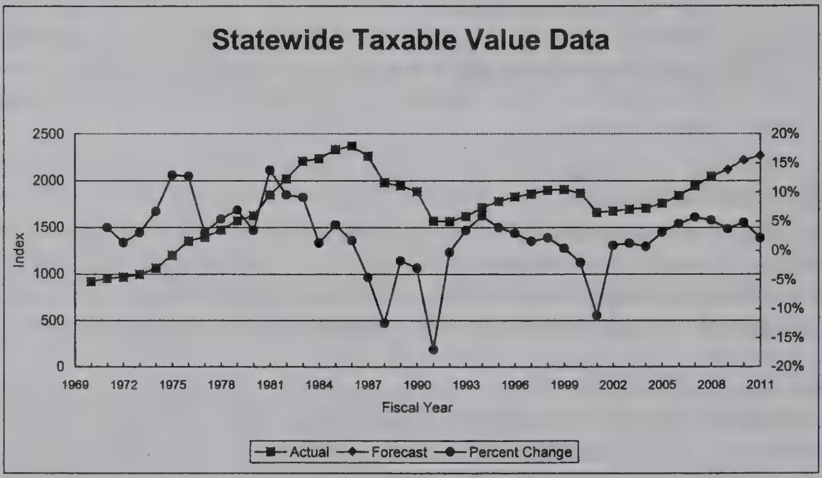
Corporate Profits

The profitability of corporate America is an important factor in estimating revenues. Corporate profitability affects both corporation license tax and individual income tax estimates. When corporations are profitable nationally, there is an expectation that corporations will be profitable in Montana. Additionally, greater corporate profitability is largely responsible for the amount of dividends corporations pay to stockholders as well as the value of equity investments. During the most recent years, the reduction of corporate profits has translated to lower corporate license tax collections. According to Global Insight, between 1990 and 1997, US corporation pre-tax profits increased by an annual average of 10.3 percent. However, from 1997 through 2001, profits decreased by an average of 3.0 percent, the greatest decrease of 8.5 percent occurring in 2001. In 2004 and 2005, corporate profitability increased by 32.7 percent and 34.5 percent respectively. That trend is not expected to continue, however, as Global Insight is estimating profits to decline by 20.0 percent in calendar 2009 and then grow at an average rate of 22.2 percent and 14.2 percent in 2010 and 2011, respectively.



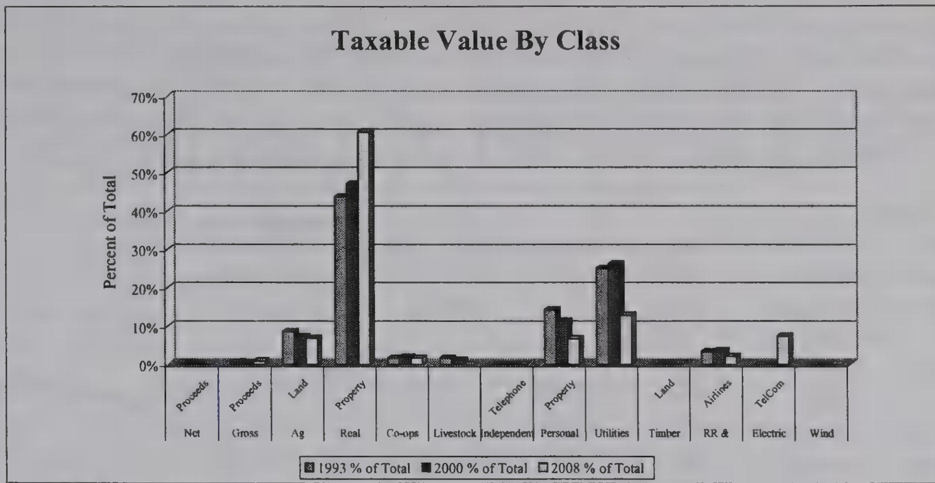
Property Values

Change in statewide property values is the critical assumption behind the estimates for property taxes. Historic property values are obtained from the Montana Department of Revenue. Total statewide taxable value increased slowly during the first part of the 1990's, but fell in fiscal 2000. This decline was primarily due to business equipment tax changes enacted by previous legislatures. Other legislative reductions occurred in electrical generating and telecommunication property. Property values resumed an upward trend in 2001 and have increased every year since that time.

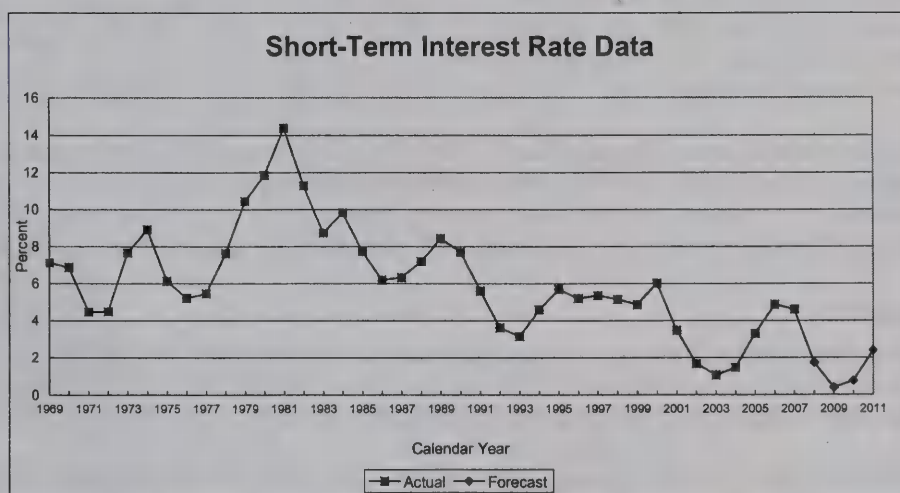


Significant changes have taken place in each class's share of total statewide property value since fiscal 1998. In that year, 48.0 percent of total statewide value was in class 4, residential and commercial property, and 11.5 percent of total value was in class 8, business equipment personal property. In fiscal 2008, the class 4 taxable value was 60.6 percent of the total property tax base, while class 8 was only 6.8 percent of the base.

Taxable values for the FY 2009 and the 2011 biennium will be influenced by the impacts of reappraisal and reappraisal mitigation in HB 658, passed by the 2009 Legislature. Reappraisal occurs every six years and new values are derived for all residential and commercial property, agricultural land and timber land. These values are phased-in over the six year cycle. For the 2009 reappraisal values compared with 2003 values, average residential property rose by 55.1 percent, commercial property by 34.5 percent, agricultural land by 26.8 percent, and timberland by 51.7 percent. HB 658 mitigated these increases by phasing-in higher homestead and comstead exemptions, and by phasing-down tax rates. These parameters were set so as to erase the impact of reappraisal on taxable values on average statewide. Taxable value is expected to grow during the 2011 biennium by an average of 3.4 percent per year, its historical average since FY 2003.

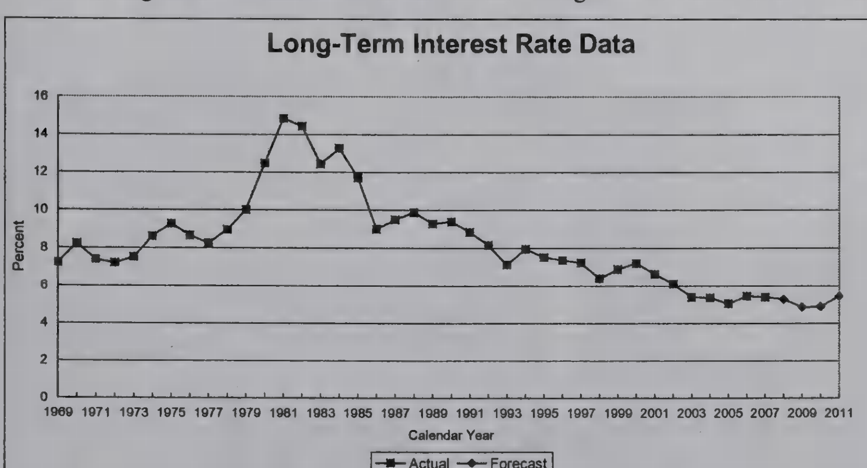


Interest Rates



A large portion of Montana's revenues is derived from investment earnings from trust accounts and daily invested cash. Interest rates also affect the amount of investment income that is reported on individual income tax returns. As such, interest rates are a significant assumption when estimating future state revenues.

In addition to the state revenue impact, interest rates are fundamental in understanding the climate in which consumers and businesses are likely to make investments and large purchases. While low interest rates produce less revenue for Montana's trust and interest holdings, higher income tax earnings might be expected as construction and sales activities increase. Two types of interest rates, long and short-term, are estimated and used in determining future revenues. Both rates are an average across a selection of investment instruments. The forecast rates are obtained from Global Insight. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year T bonds, and 30-year T bonds. Short-term rates are an average of 3-month corporate paper and 3 and 6-month T-bills. The fiscal year computation of short-term interest rates reached an unprecedented low in 2003. However, as the economy began to regain strength in calendar year 2004, the Federal Reserve began increasing the discount rate. Global Insight projects short-term interest rates will decline sharply to less than 1.0 percent and then rebound to 2.2 percent by fiscal 2011. Long-term rates are expected to remain stable at near 5.0 percent through the 2011 biennium.

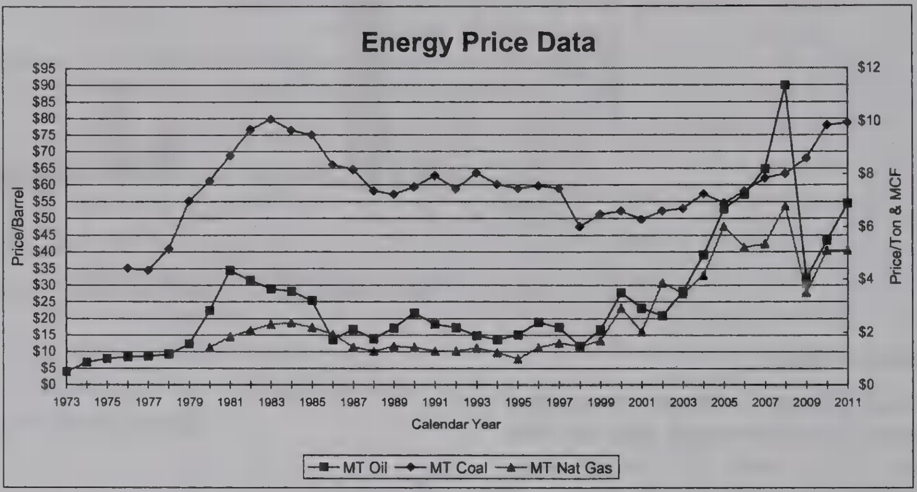


Energy Prices

West Texas Intermediate (WTI) spot oil prices averaged \$25.96 per barrel in calendar 2001 and increased every year through 2007. Global Insight forecasts WTI oil prices to increase to \$101.36 in calendar 2008, and then drop to \$52.75 in calendar 2009. WTI prices are expected to increase to \$61.75 and \$65.00 per barrel for calendar 2010 and 2011, respectively. While Montana wellhead prices are considerably lower than the WTI price, Montana prices are expected to follow a similar trend.

Natural gas prices at the wellhead in the US averaged $4.00 per MCF in calendar 2001 and have increased to $6.22 by calendar 2007. Global Insight is forecasting average well head natural gas prices at $7.81 in calendar 2008, $6.45 in calendar 2009, $7.49 in calendar 2010, and $7.76 in calendar 2016. While Montana wellhead prices are usually lower than the US average well head price, Montana prices are expected to follow a similar trend.

After a period of decline in oil production – from a peak in 1973 of 34 million barrels to a trough in 1999 of 15 million barrels – recent Montana production has increased. New drilling activity increased 75 percent in 2003, and increased nearly the same amount in 2004. In calendar 2006, production was over 36 million barrels and is estimated to be near 32 million barrels in calendar 2008. Montana oil production is expected to decline further to 29 million barrels in calendar 2009, 26 million barrels in calendar 2010 and to 25 million barrels in calendar 2011.



Natural gas production in Montana almost tripled between 1981 and 2007, from 40 million MCF to 119 million MCF. Newly drilled wells have contributed around 20 percent to total production since calendar 2000. As in the oil market, new drilling activity was up substantially in calendar 2003 and 2004. Montana natural gas production is expected to be 122 million MCF in calendar 2008, 123 million MCF in calendar 2009, 124 million MCF in calendar 2010, and 120 million MCF in calendar 2011.

Summary

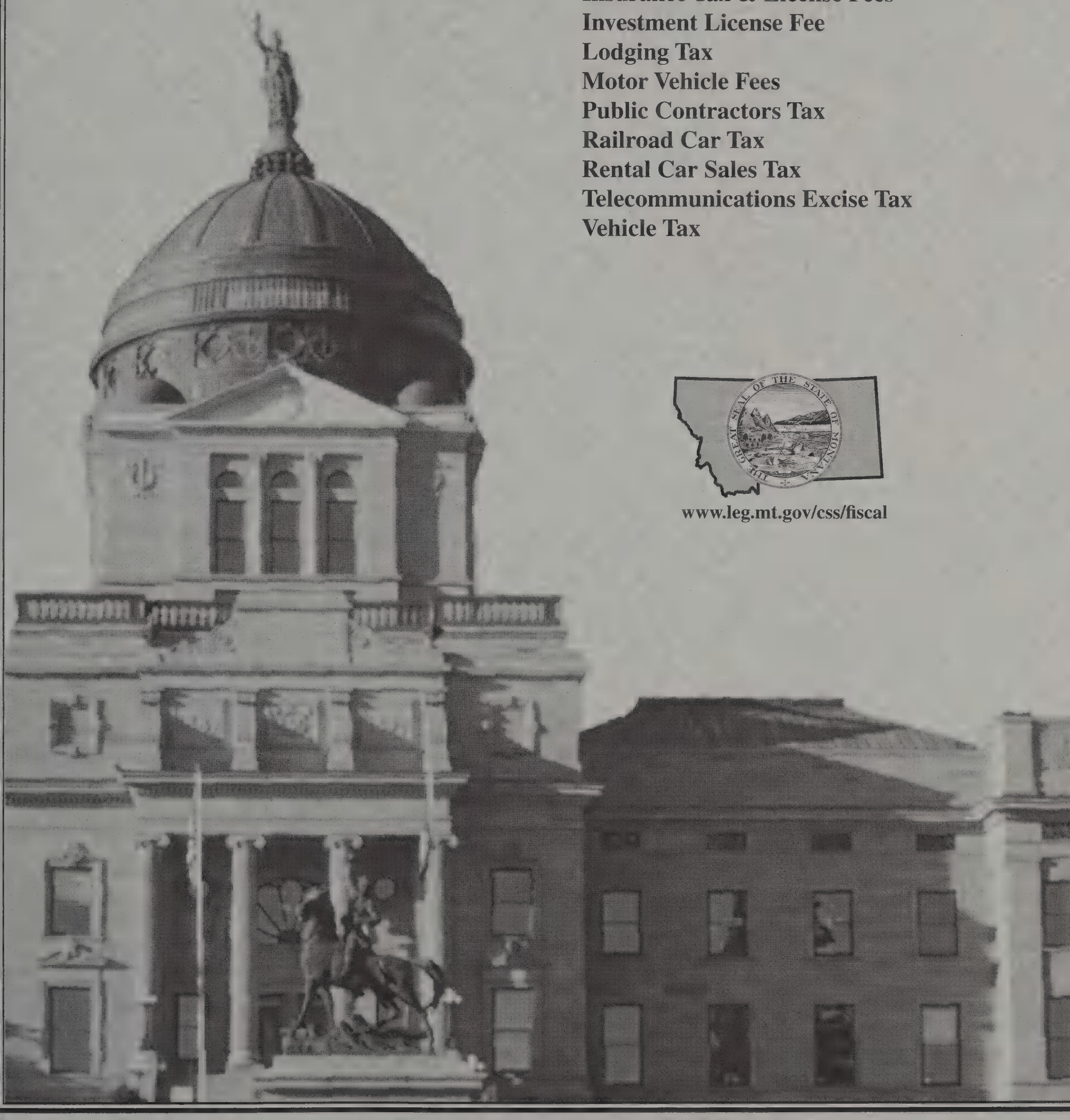
A complete summary of each general fund and selected non-general fund revenue sources follows. Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, and distribution mechanisms. A legislation impact table (if applicable) is shown summarizing all bills enacted by the 2009 Legislature that impact the particular source of revenue.

It should be noted that the revenue projection table and graph are based on HJR2 estimates plus the impacts, if any, of enacted legislation. The corresponding revenue estimate assumption tables reflect only assumptions pertinent to the HJR 2 revenue estimates and have not been updated for the impacts of enacted legislation.

Business and Personal Taxes

Corporation Income Tax
Driver's License Fees
Estate Tax
Individual Income Tax
Insurance Tax & License Fees
Investment License Fee
Lodging Tax
Motor Vehicle Fees
Public Contractors Tax
Railroad Car Tax
Rental Car Sales Tax
Telecommunications Excise Tax
Vehicle Tax

www.leg.mt.gov/css/fiscal



Legislative Fiscal Division

Revenue Estimate Profile

Corporation Income Tax

Revenue Description: The corporation income tax is a license fee levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. Factors that affect corporation income tax receipts include tax credits and the audit efforts by the Department of Revenue. As with individual income tax, all tax liability is adjusted for allowable credits.

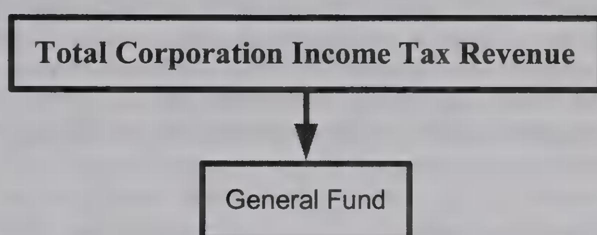
Statutory Reference:

Tax Rate (MCA) – 15-31-121,
Tax Distribution (MCA) – 15-31-121
Date Due – by the 15th day of the fifth month following the close of the corporate fiscal year (15-31-111, 15-31-502). Estimated taxes due April 15th, June 15th, September 15th, and December 15th (15-31-502).

Applicable Tax Rate(s): The tax rate is 6.75%, except for corporations making a "water's edge" election (see 15-31-322, MCA), who pay a 7.0% tax on their net income.

Distribution: Beginning fiscal 2006, all corporation tax revenue is distributed to the general fund.

Distribution Chart:



Summary of Legislative Action:

House Bill 21 – In addition to reducing future corporation tax revenues, this legislation also reduces individual income tax revenue. The revenue effects and details of the latter change are shown in the "Individual Income Tax" revenue source section. Under previous law, the credits for investment in recycling equipment and the deduction for business purchases of recycled material were scheduled to sunset at the end of calendar year 2011. This legislation eliminates the related termination dates, making both the credit and the deduction permanent. Elimination of the termination dates allows the credits and deductions to be claimed in future years beginning in FY 2012. The legislation is effective on passage and approval.

House Bill 163 - In addition to reducing future corporation tax revenues, this legislation also reduces individual income tax revenue. The revenue effects and details of the latter change are shown in the "Individual Income Tax" revenue source section. This legislation extends film production credits through calendar year 2014. Credits are about $200,000 per year, but credits for a tax year generally are paid out over several fiscal years. Under previous law, the credit for film production terminated January 1, 2010. The extension of the credit impacts the last six months of FY 2011. The extension reduces corporation tax revenues deposited in the general fund by $11,194 in FY 2011. The legislation is effective on passage and approval and is effective until January 1, 2015.

Corporation Income Tax -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0021 Repeal termination date for recycling tax incentives			
HB0163 Revise tax incentives for motion picture industry			(11,194)
Total Estimated General Fund Impact	$0	$0	($11,194)

% of Total General Fund Revenue:

FY 2004 - 4.90%
FY 2005 - 6.42%
FY 2006 - 9.00%
FY 2007 - 9.67%
FY 2008 - 8.17%

Revenue Estimate Methodology:

Data

The data used to develop the estimates for the corporation income tax are provided by the Department of Revenue (DOR), the state accounting system (SABHRS), and Global Insight. The DOR provides corporation data from the corporation income tax return series that include total corporation income, Montana allocation information, and the Montana tax liability. The return series is dated information since corporations are allowed up to 10.5 months after the end of the tax year to file the return. The DOR also provides a series based on the corporation income tax payment data. This series provides more timely data and includes individual corporation payment by type (estimated, tentative, return, refund, audit). SABHRS provides historic fiscal year data of total collections, current year payments, estimated payments, audits and penalty and interest, and refunds.

Several steps must be taken prior to analysis of the corporation income tax data. The corporation tax estimate for the estimated period is calculated using the DOR payment data series. Upon receipt of the data series, the data is sorted by filing period. Next, the data is broken into three parts, taxpayers with tax liabilities greater than or equal to $100,000 annually (based on a three year average), taxpayers with liabilities less than $100,000, and taxpayers who pay the minimum tax of $50. Finally, the large taxpayer data is disaggregated based on the industrial sector of the corporation. The data is then evaluated and adjusted when needed. If the data acceptably matches the SABHRS data, then the analysis process can begin.

In recent years, the DOR has provided more detailed corporation tax data, leading to the formulation of this new corporation tax methodology. First introduced and adopted by the 59th Legislature, this methodology has expanded with time. The concept involves measuring the growth of each individual industrial sector for the economic impacts expected in the upcoming years. Unfortunately, because of the limited number of tax year observations in the available data set, development of growth rates with economic models related to historic trends and patterns is not possible. Instead, and until enough data is available, growth rates developed by the Global Insight Economic Analysis Company and through related analysis performed by the LFD for other tax revenue sources necessarily replaces the development of growth rates.

Analysis

The corporation income tax exhibits high levels of variability in collections. Collection patterns show that current tax payments often originate in a previous year. Included in fiscal year data are late payments, audit payments, and refunds. These activities promote misinterpretation of how high, or low as the case may be, Montana corporate profitability is in any given tax year. A simple review of SABHRS data will not distinguish the many anomalies of the data, and may lead to the adoption of incorrect assumptions. The approach developed for the corporation estimate employs DOR corporation tax payment data to make future estimates as accurate as possible. By disaggregating the data based on corporate industrial sector, specific components of the corporate landscape can be analyzed, measured, and forecast individually with industrial sector projections.

Many corporate entities in Montana do not demonstrate profitability behavior like national corporations. For example, financial corporations lag the nation in profitability, and Montana's large natural resource base is as volatile as the commodity prices, affecting the payments of oil and gas, energy, mining, and timber corporations. To reflect the peculiar corporate profitability exhibited in Montana, the estimates of corporation tax payments are created through a detailed study of tax payments by industry. To ensure that proper growth is assessed to each industrial sector, the payment data of the high liability corporate tax payers is separated by industry and growth rates are established for each of the industrial sectors. The figure below shows each of the sectors that were developed in this process, it significance to total corporation tax collections, the source of the growth rates used in the estimates, and the rates used in the estimates. The table also includes a category for each small (domestic) and minimum taxpayers.

Corporation Sector Analysis

Industrial Sectors	% Total Taxes	Source of Growth Measure	Growth Factors 2008	2009	2010	2011
AllOther	7.7%	GI - Pre-tax Profs. Analysis	-8.14%	-4.08%	0.57%	8.56%
BoxStore	5.0%	GI - Change in Consumer Spending	-1.83%	-2.38%	4.27%	3.14%
Financial	15.7%	GI - Weighted Average, Loans/Credit & S&P 500	-0.20%	-0.80%	4.56%	5.39%
Food	3.7%	GI - Change in Consumer Spending	0.25%	-2.15%	3.11%	2.80%
Health	1.9%	GI - Change in Consumer Spending	-0.60%	1.76%	5.79%	7.10%
Minimum	0.1%	No growth projected	0.00%	0.00%	0.00%	0.00%
Mining	2.0%	LFD - Change in MT Metals Mines Gross Value	4.79%	-52.65%	-3.28%	0.94%
OilGas	22.7%	LFD - Change in MT Oil Gross Value	31.26%	-51.60%	24.41%	0.27%
Railroad	4.3%	LFD - Growth in Railcar Activity	6.79%	5.40%	3.59%	3.47%
Domestic	24.7%	GI - Pre-tax Profs. Analysis	-8.14%	-4.08%	0.57%	8.56%
TelCom	2.4%	LFD - Growth in Telecommunications Activity	0.29%	-0.12%	0.18%	0.23%
Timber	1.2%	GI - Industrial Prod. Index, Wood Products	-12.28%	-16.62%	5.87%	11.88%
Utility	8.7%	LFD - Change in MT Energy Production	1.42%	0.20%	0.20%	0.20%

Assumptions:

- All Other – Making up 7.7 percent of the total tax liabilities reported in the corporate tax, the all other sector includes the large corporations whose industrial sectors are varied. Included in this sector are businesses that endeavor in bar and restaurant activities, construction activities, and information technology activities, just to name a few. This sector is assumed to more closely follow the national corporation profitability model. The growth factor used to project future tax liabilities in the this sector is developed in a model that regresses SABHRS total corporation tax data against the Global Insight "pre-tax corporation profits" variable, lagged one year, and a business cycle variable, which quantifies the revenue effect of economic downturns. The regression provided an R^2 rating of 0.88, which means that the regression analysis explains 88.0 percent of the variability in total corporation tax payments, when all other impacts are held constant.*
- Box Store – The box store sector includes large retail stores in Montana and represents 5 percent of the total corporate tax liability. Box stores have grown in relative importance in the corporate tax base, as more stores locate in the state. These businesses are assumed to follow the national trend for retail sales in the nation. To project future box store liability, a growth rate is developed by measuring the change of consumer spending for food, durable goods, and non-durable goods as historically tracked by the Bureau of Economic Analysis (BEA) and projected by Global Insight.
- Financial – The financial sector is the third largest sector estimated in this methodology, with 15.7 percent of the corporation tax liability. This sector includes banks, bank holding corporations, insurance corporations, and investment activities. The financial sector is not expected to continue the same double digit rates of growth, demonstrated in past years, but instead will experience a significantly slower rate of growth in the years of this analysis. The factor used to project future financial sector tax payment growth rate is weighted average of the change in the Global Insight projections of all loans and credit and the S&P 500 index.
- Food – The food sector, which accounts for 3.7 percent of corporation tax liability, includes corporations that produce and transport food products. The food sector has increased in recent years, and is expected to continue to demonstrate slow growth over the next three years. To project future food sector liability, the change in consumer spending for food items, as tracked historically by the BEA and projected by Global Insight, is applied to the tax year base.
- Health – The health sector includes primarily corporations involved in the manufacture of pharmaceuticals and is responsible for almost 2 percent of the corporation tax liability. The sector has experienced significant growth in recent years. To project future health sector liabilities, the change in consumer spending for health and pharmaceuticals is applied to the tax year base.
- Minimum – The minimum paying corporations, accounting for just 0.1 percent of corporation tax liabilities, are assumed to include corporations that are new start-ups, corporations who have experienced net operating losses, and small businesses. With consideration of the volatility of this sector, no growth rate is applied to the base year tax liabilities.
- Mining – Montana's mining sector, consisting of 2.0 percent of large tax liability corporations, has gained new life in recent years as the price of almost all mineral commodities such as silver, gold, palladium, and copper has increased. However, the national mining industry is expected to experience declines in calendar year 2008 and 2010, followed by slow growth in the remaining year of this analysis. Consequently, mining corporations are assumed to be less profitable in the next biennium. The factor used to project future tax liability of this sector is the change mining Montana metal mine gross value, as tracked and projected by the Legislative Fiscal Division (LFD).
- Oil & Natural Gas – The oil and natural gas sector has experienced high levels of profitability as the prices for petroleum based products have increased over the past two years, however the price per barrel of crude oil experienced a sharp decline in the

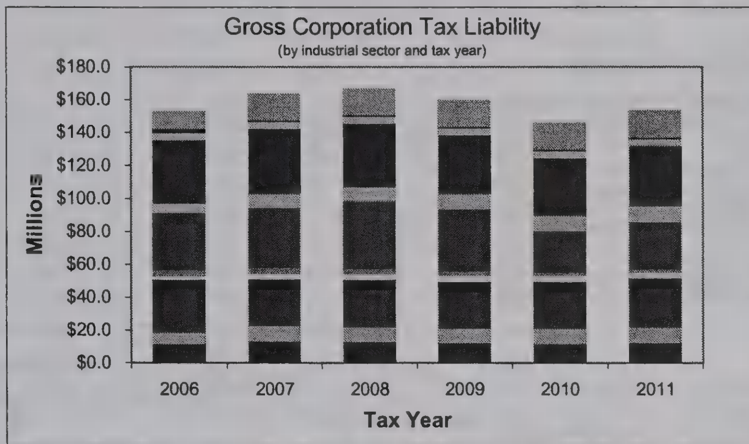
third quarter of 2008, and is expected to continue to decline throughout 2009. The assumption of this analysis is that lower oil and gas prices will negatively affect the profitability of corporations of this sector. The factor used to project future oil and natural gas sector tax liabilities is derived from the change in the oil and natural gas gross values projected by the LFD specifically for oil and natural gas severance taxes.

- Railroad – The railroad industry is responsible for 4.3 percent of Montana's corporation tax liability. The industry has demonstrated significant growth between tax year 2006 and 2007, but in future years the growth in rail industry's tax liability is expected to resume a more normal pattern. The factor used to project the future tax liability of the rail industry is the change in the Montana allocation of railcar value, as projected by the LFD for the railcar tax.
- Domestic – The domestic "sector" consists of corporate entities from all industrial sectors and have average tax liabilities between $50 and $100,000. This "sector" has the greatest amount of overall tax liability, 24.7 percent. Many of the corporations in this sector are thought to operate solely in Montana and may be less profitable than their larger counterparts. With the diverse grouping of industrial types in this "sector", the growth factor used for the domestic sector is developed in a regression analysis, as discussed in the "All Other" sector discussion.
- Telecom – The telecom industry, comprising 2.4 percent of the total corporation tax liability, includes telecommunications and internet technology companies. In Montana, the total tax liability of this sector has remained relatively constant in recent years, and that trend is expected to continue in the period of analysis. The growth factor used to project the tax liability of the telecom sector is the change in the proxy of taxable telecom receipts, as developed by the LFD in the estimate for the telecom tax.
- Timber – The timber sector in Montana is highly volatile. Timber corporations come and go, as evidenced in the history of their tax liabilities. The timber sector is assumed to remain volatile and is expected to experience reduced activity in calendar year 2007 and 2008. The factor used to project future timber sector tax growth is derived from the change in the Global Insight projection for the production of wood products in the nation.
- Utility – Utility corporations include corporations that produce and transmit electric and gas utilities to consumers. In the past, utility corporations where among the largest corporations in the state. In more recent times, the tax liabilities of utility corporations have diminished. However, in the past two years, the utility sector has regained some significance, as demonstrated by its contribution of 8.7 percent of the total corporation tax liability. The utility sector is expected to assume a rate of slow growth for the foreseeable future. The factor used to project future tax liability growth is the change in energy production, as estimated by the LFD for the electrical energy tax.

*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

To develop the estimate for the corporation income tax, the sector growth rate is applied to the most recent tax year collections, 2007. The base year of 2007 is assumed to represent the most complete year of actual payments. The industrial sectors are then summed to provide an estimate for the tax year corporation tax liabilities. Because the industrial sector estimates are based on a tax year analysis, but are paid in a state fiscal year, payment timing must be taken into consideration. Analysis shows that the return payments made in the state fiscal year are made for the tax liability of the previous tax year. Estimated tax payments made in the first half of the fiscal year are assumed to be payments for the liabilities of the previous tax year and payments in the second half of the fiscal year are assumed to be liabilities of the current tax year. Audits and refunds are generally assumed to be corrections to tax liabilities of the prior year. When calculated, the analysis suggests that 60 percent of all corporation income taxes are for liabilities from the previous year and 40 percent of the taxes are from the current year. When the percentages of each tax year are combined, the resulting value is the fiscal year gross corporate tax liability.

Corporation Income Tax

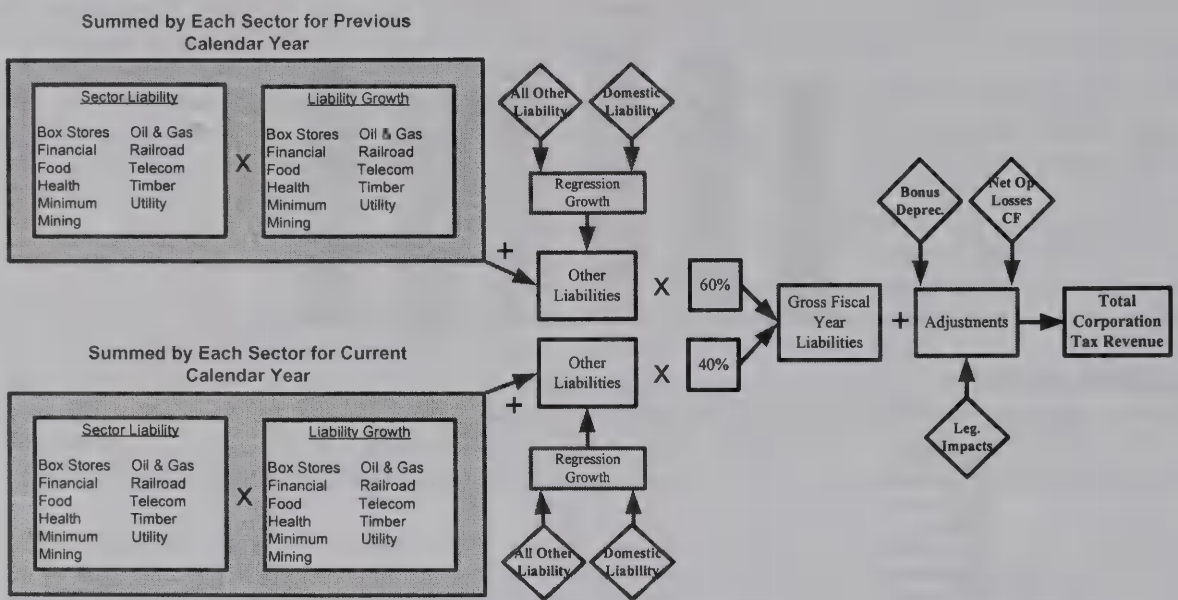


Sector	2006	2007	2008	2009	2010	2011
AllOther	11.2	13.2	12.8	11.9	11.6	12.1
BoxStore	6.8	9.0	9.0	8.8	8.8	9.1
Financial	27.0	22.7	22.6	22.5	22.8	24.0
Food	5.5	6.1	6.1	6.1	6.1	6.3
Health	2.4	3.5	3.5	3.5	3.6	3.8
Minimum	0.3	0.1	0.1	0.1	0.1	0.1
Mining	2.9	3.4	3.4	2.8	1.7	1.6
OilGas	35.3	36.6	41.2	38.1	25.5	29.0
Railroad	5.6	8.1	8.3	8.8	9.3	9.6
Domestic	38.4	40.0	38.7	36.1	35.3	36.6
TelCom	4.0	3.8	3.8	3.8	3.8	3.8
Timber	2.6	0.9	0.9	0.8	0.7	0.8
Utility	11.2	16.6	16.7	16.9	16.9	16.9

Adjustment and Distribution

After the estimate for the fiscal year gross corporation tax liability is complete, several adjustments are required. The first adjustment is for new legislation passed by the 60th Legislature but not yet included in the tax base. The next adjustment is to account for the bonus depreciation provision of the Economic Stimulus Act of 2008. As calculated by the Department of Revenue, the revenue effects of the act will cause a reduction of corporation tax revenue in fiscal years 2009 and 2010, but will increase tax revenues in fiscal years 2011 through 2014. Finally, given the recent economic downturn, an adjustment is made to account for the likelihood of unusual net operating loss (NOL) impacts. Because NOL losses may be distributed over a number of years, the effect of an economic downturn, with its associated NOL's, is expected to reduce total corporation tax liabilities in all three years of the analysis.

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Corporation Income Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	US Profits Billions	Tax Rate	Bonus Depreciation Millions	Legislation Impacts Millions
Actual	2000	99.088867	90.682672	774.600000	0.067500		
Actual	2001	103.670487	103.670487	740.700000	0.067500		
Actual	2002	68.173253	68.173253	738.200000	0.067500		
Actual	2003	44.137518	44.137518	838.300000	0.067500		
Actual	2004	67.722940	67.722940	1056.400000	0.067500		
Actual	2005	98.213716	98.213716	1412.600000	0.067500		
Actual	2006	153.675068	153.675068	1747.200000	0.067500		
Actual	2007	177.503707	177.503707	1880.000000	0.067500		
Actual	2008	160.341786	160.341786	1740.700000	0.067500		
Forecast	2009	157.715000	157.715000	1439.600000	0.067500	(2.618017)	(0.173442)
Forecast	2010	117.579000	117.579000	1426.400000	0.067500	(3.619759)	(2.221361)
Forecast	2011	124.250000	124.250000	1680.400000	0.067500	0.708452	(0.451505)

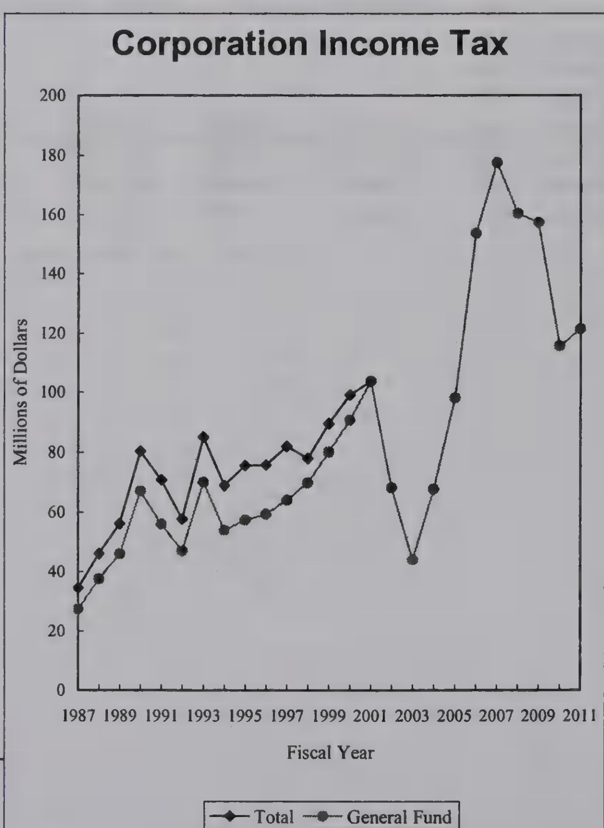
	t Cal	AllOther Millions	BoxStore Millions	Financial Millions	Food Millions	Health Millions	Minimum Millions	Mining Millions
Actual	2000							
Actual	2001							
Actual	2002							
Actual	2003							
Actual	2004							
Actual	2005							
Actual	2006							
Actual	2007							
Actual	2008	12.109538	8.859961	22.396028	6.118794	3.433113	0.086278	3.155001
Forecast	2009	11.616680	8.467465	21.585292	5.881385	3.337329	0.086278	1.002659
Forecast	2010	9.868370	8.790075	22.770325	6.088410	3.510203	0.086278	0.990427
Forecast	2011	11.468033	9.107397	23.945274	6.287501	3.683607	0.086278	1.021328

	t Cal	OilGas Millions	Railroad Millions	SmallPays Millions	TelCom Millions	Timber Millions	Utility Millions	NOL CarryOver Millions
Actual	2000							
Actual	2001							
Actual	2002							
Actual	2003							
Actual	2004							
Actual	2005							
Actual	2006							
Actual	2007							
Actual	2008	45.864905	8.660669	36.713968	3.762653	0.818385	16.867791	
Forecast	2009	16.956255	9.128345	35.219710	3.757385	0.615835	16.901527	(2.555151)
Forecast	2010	22.258476	9.456053	29.919144	3.761894	0.654756	16.935330	(13.290692)
Forecast	2011	24.437581	9.784178	34.769037	3.768665	0.753952	16.969201	(18.361460)

Total Tax = AllOther + BoxStore + Financial + Food + Health + Minimum + Mining
+ OilGas + Railroad + SmallPays +TELCOM + Timber + Utility + Business Cycle + Bonus + Legislation
GF Tax = Total Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	34.566361	27.371125	Not App.
A	1988	46.200104	37.584806	37.32%
A	1989	56.139749	46.152627	22.80%
A	1990	80.315504	67.087905	45.36%
A	1991	70.784279	56.006784	-16.52%
A	1992	57.682672	47.027797	-16.03%
A	1993	85.054483	70.003987	48.86%
A	1994	68.871909	53.996713	-22.87%
A	1995	75.519940	57.425136	6.35%
A	1996	75.761891	59.336677	3.33%
A	1997	81.999138	64.078549	7.99%
A	1998	77.928498	69.724680	8.81%
A	1999	89.624560	80.142416	14.94%
A	2000	99.088867	90.682672	13.15%
A	2001	103.670487	103.670487	14.32%
A	2002	68.173253	68.173253	-34.24%
A	2003	44.137518	44.137518	-35.26%
A	2004	67.722940	67.722940	53.44%
A	2005	98.213716	98.213716	45.02%
A	2006	153.675068	153.675068	56.47%
A	2007	177.503707	177.503707	15.51%
A	2008	160.341786	160.341786	-9.67%
F	2009	157.284000	157.284000	-1.91%
F	2010	115.638000	115.638000	-26.48%
F	2011	121.371000	121.371000	4.96%



Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Revenue Description: A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays fees. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. If collected by the county treasurers, a portion is retained by the county. The estimates shown in this source are net of revenue retained by the counties. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, duplicate driver's licenses, and renewal notices. Between October 1, 1995 and October 1, 1999, one-half of the licenses issued for those between the ages of 21 and 67 were 4-year licenses and one-half were 8-year licenses. Drivers outside these age brackets were assigned driver's licenses with terms which depend on how many years the driver is less than 21 or less than 75 years old. Between October 1, 1999 and July 1, 2005, all licenses for those 21-67 years of age were valid for 8 years. With the enactment of House Bill 192 by the 2005 Legislature, commercial licenses are valid for 5 years.

Statutory Reference:

Tax Rates (MCA) – Duplicate license (61-5-114), all others (61-5-111(6))
Tax Distribution (MCA) – 61-5-121
Date Due – upon application

Applicable Tax Rate(s): Driver's license fees are:

- driver's license, except a commercial driver's license - $5.00 per year or fraction of a year
- motorcycle endorsement - $0.50 per year or fraction of a year
- commercial driver's licenses (includes the basic license fee of $5.00):
  - interstate - $10.00 per year or fraction of a year
  - intrastate - $8.50 per year or fraction of a year
- duplicate license - $10.00
- renewal notice - $0.50

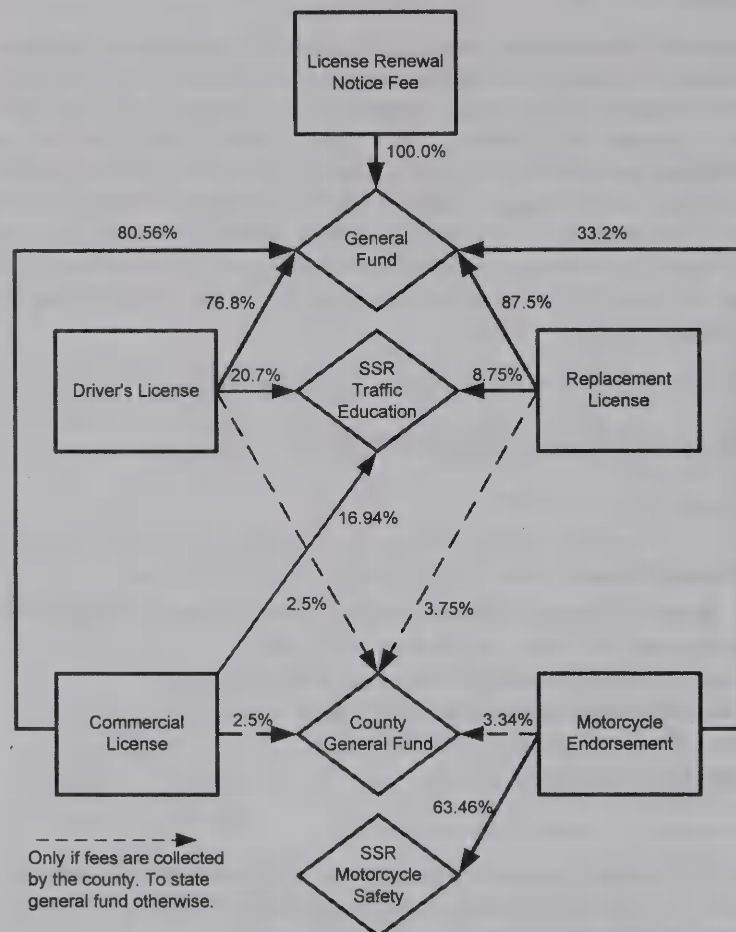
Distribution: The distribution of license fee revenue varies by the type of license and who collects the fee. The table shows the current statutory distribution. Note: the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

Distribution of Driver's License Fees

Allocation	Driver's License	Replacement License	Motorcycle Endorsement	Commercial Driver's License	Renewal Notice
County or State General Fund	2.50%	3.75%	3.34%	2.50%	0.00%
Motorcycle Safety Account	0.00%	0.00%	63.46%	0.00%	0.00%
Traffic Education Account	20.70%	8.75%	0.00%	16.94%	0.00%
State General Fund (remainder)	76.80%	87.50%	33.20%	80.56%	100.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Driver's License Fees

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.22%
FY 2005 – 0.22%
FY 2006 – 0.22%
FY 2007 – 0.25%
FY 2008 – 0.20%

Revenue Estimate Methodology:

Deriving an estimate of driver's license revenue is a matter of determining an estimate for the number of each of the six various licenses/fees. Once determined, each number can be multiplied by the applicable fee and the resulting products added together to derive the total revenue estimate. Since the number of licenses depends on the number of drivers, an estimate of the number of people in the driving age bracket is also used in determining the estimate. As the distribution chart above shows, a portion of the revenue is collected and retained at the county level. Therefore, these revenue estimates only show the state's portion.

Data

There are six different sources of revenue - five different driver's licenses and the renewal notice. The best source of data for the number of licenses and the renewal notice is contained in the history of revenue collections for each of these six items. This information is readily available from the state accounting system (SABHRS) which records revenue from each source separately. By knowing the actual revenue collected from a specific fee and the amount of the fee, the number of licenses can be calculated. To adjust for population, population estimates for Montana are used (see "Montana Population" in the Montana Economic Outlook section at the beginning of this publication).

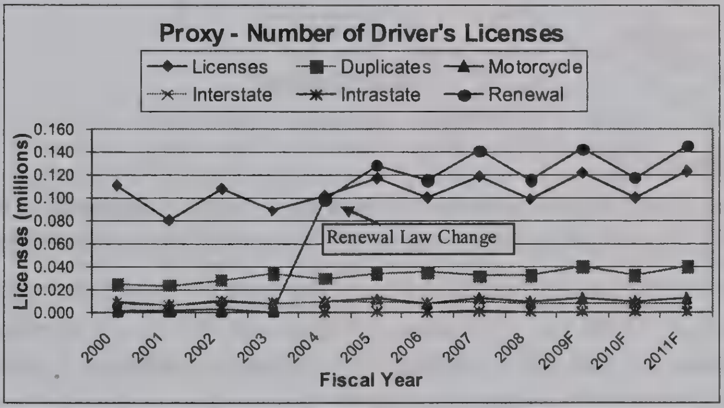
Driver's License Fees

Analysis

The methodology used to determine the number of each license/fee differs slightly:

1. The proxy numbers for driver's and motorcycle licenses are derived by multiplying the population estimate for those 16 years or older for each year by: a) for FY 2009 and FY 2011, the ratio between the number of licenses in fiscal year 2007 and the population for the previous year; and b) for FY 2010, the ratio between the number of licenses in fiscal year 2008 and the population for the previous year.
2. For duplicate licenses, the proxy number is derived by multiplying the number of driver's licenses by the previous year's ratio between the number of duplicates and drivers licenses. Because the driver's license proxy includes the effects of population change, these effects are also included in the proxy for duplicate licenses.
3. The proxies for the number of interstate and intrastate licenses are the amounts from the last known fiscal year.
4. To approximate the number of renewal notices, the ratio between the previous years' number of notices to the proxy number of licenses is multiplied by the estimated number of licenses. Since the license proxy includes the effects of population change, these effects are also included in the proxy for renewal notices.
5. Based on historical percentages, amounts retained by the counties are calculated and subtracted from the total revenue to derive the state's portion.

If necessary, adjustments are made; usually based on legislation enacted the previous legislative session. For example, the renewal notice was first authorized in October 2003 and, so, was in effect for 2/3 of fiscal 2004. Using fiscal 2003 actual collections required an adjustment to reflect a full year's revenue so future years could be estimated. Once the proxies for the numbers of various licenses are estimated, the revenue from each can be derived by multiplying the number by the applicable fee. The amount from each license are then summed and the portion retained by the counties subtracted.

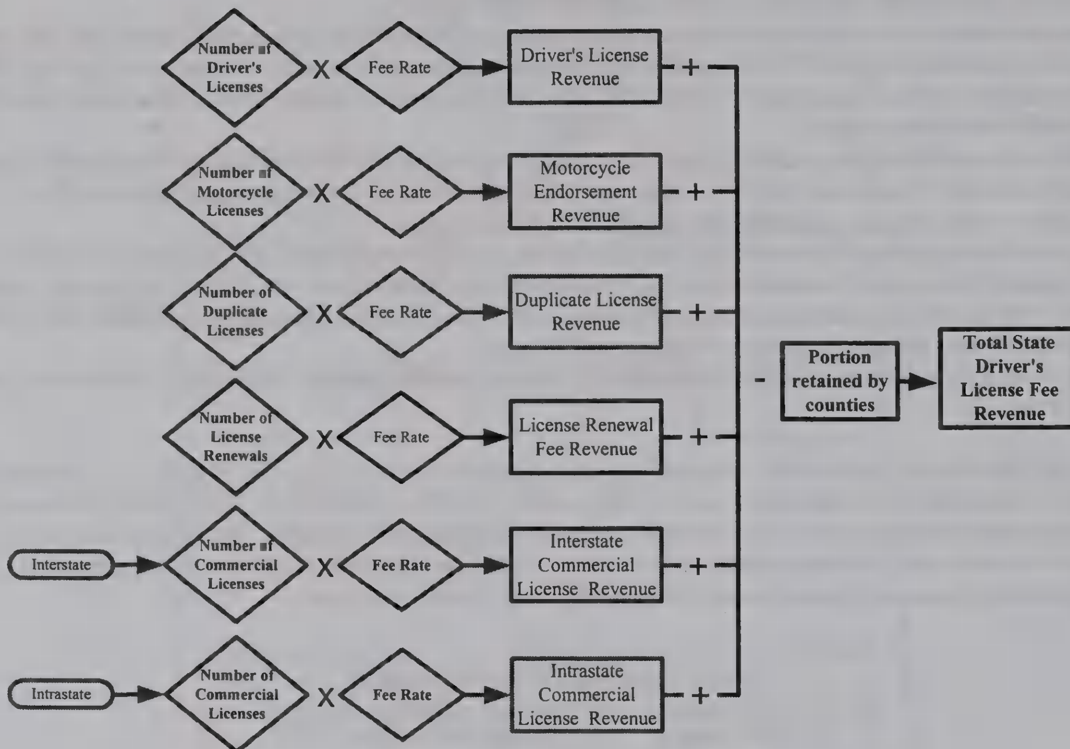


Adjustments and Distribution

Once the proxy number for each license has been estimated, adjustments, if any, are made. After any adjustments, the applicable distribution percentage of the revenue for each license fee is applied (see the "Distribution" section).

Driver's License Fees

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Fee Millions	GF Fee Millions	GF Fee Licenses Millions	GF Fee Duplicates Millions	GF Fee Cycle Millions	GF Fee Commercial Millions	GF Fee Renewal Millions
Actual	2000	3.835971	2.333182	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	3.062533	1.895595	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	4.172805	2.580000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2003	3.420939	2.119499	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2004	4.894628	3.021405	2.223535	0.190100	0.013429	0.410261	0.049367
Actual	2005	5.562399	3.373220	2.557249	0.215769	0.016279	0.401181	0.064446
Actual	2006	4.872301	3.828459	3.071570	0.307108	0.011524	0.345884	0.057787
Actual	2007	5.746668	4.608614	3.653530	0.282065	0.016848	0.438941	0.070596
Actual	2008	4.845324	3.865872	3.037471	0.284708	0.013000	0.376844	0.057969
Forecast	2009	5.824000	4.667000	3.830821	0.361600	0.018488	0.385030	0.071481
Forecast	2010	4.887000	3.920000	3.163397	0.298602	0.014170	0.385030	0.059027
Forecast	2011	5.914000	4.739000	3.895169	0.367674	0.018800	0.385030	0.072682

License Count Millions	t Fiscal	Proxy Licenses	Proxy Duplicates	Proxy Cycle	Proxy Interstate	Proxy Intrastate	Proxy Renewal
Actual	2000	0.110658	0.025272	0.010240	0.007801	0.002477	0.000000
Actual	2001	0.080396	0.024359	0.006932	0.006961	0.002210	0.000000
Actual	2002	0.108432	0.028832	0.010405	0.010579	0.003359	0.000000
Actual	2003	0.089124	0.034501	0.007652	0.008641	0.000722	0.000000
Actual	2004	0.101997	0.030416	0.010112	0.009739	0.001115	0.098734
Actual	2005	0.117305	0.034523	0.012258	0.009390	0.001281	0.128892
Actual	2006	0.099986	0.035098	0.008678	0.007737	0.001000	0.115574
Actual	2007	0.118930	0.032236	0.012687	0.009635	0.001485	0.141192
Actual	2008	0.098876	0.032538	0.009789	0.008356	0.001176	0.115938
Forecast	2009	0.121923	0.040122	0.013006	0.008356	0.001176	0.142962
Forecast	2010	0.100681	0.033132	0.009968	0.008356	0.001176	0.118054
Forecast	2011	0.123971	0.040796	0.013225	0.008356	0.001176	0.145363

GF Fee Rate in $	t Fiscal	Proxy Licenses	Proxy Duplicates	Proxy Cycle	Proxy Interstate	Proxy Intrastate	Proxy Renewal
Actual	2000						
Actual	2001						
Actual	2002						
Actual	2003						
Actual	2004	21.800000	6.250000	1.328000	39.000000	27.300000	0.500000
Actual	2005	21.800000	6.250000	1.328000	39.000000	27.300000	0.500000
Actual	2006	30.720000	8.750000	1.328000	40.280000	34.238000	0.500000
Actual	2007	30.720000	8.750000	1.328000	40.280000	34.238000	0.500000
Actual	2008	30.720000	8.750000	1.328000	40.280000	34.238000	0.500000
Forecast	2009	31.420000	9.012500	1.421520	41.155000	34.981750	0.500000
Forecast	2010	31.420000	9.012500	1.421520	41.155000	34.981750	0.500000
Forecast	2011	31.420000	9.012500	1.421520	41.155000	34.981750	0.500000

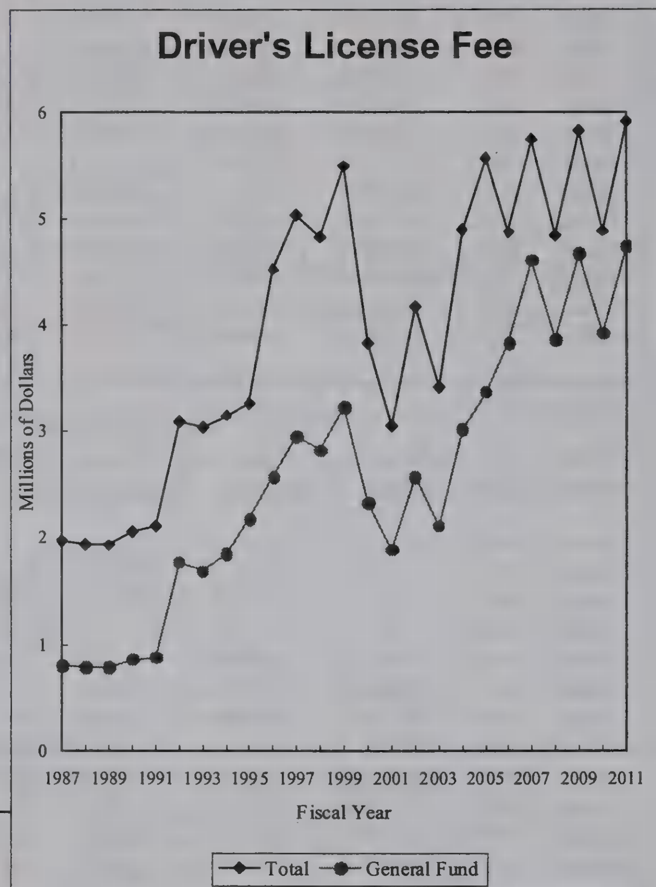
Total Fee Rate in $	t Fiscal	Proxy Licenses	Proxy Duplicates	Proxy Cycle	Proxy Interstate	Proxy Intrastate	Proxy Renewal
Actual	2000	30.0000	5.0000	3.7500	37.5000	26.2500	0.0000
Actual	2001	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2002	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2003	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2004	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Actual	2005	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Actual	2006	40.0000	10.0000	4.0000	50.0000	42.5000	0.5000
Actual	2007	40.0000	10.0000	4.0000	50.0000	42.5000	0.5000
Actual	2008	40.0000	10.0000	4.0000	50.0000	42.5000	0.5000
Forecast	2009	40.0000	10.0000	4.0000	50.0000	42.5000	0.5000
Forecast	2010	40.0000	10.0000	4.0000	50.0000	42.5000	0.5000
Forecast	2011	40.0000	10.0000	4.0000	50.0000	42.5000	0.5000

Total Fee = Licenses * Fee + Duplicates * Fee + Cycle * Fee + Interstate * Fee + Intrastate * Fee + Renewal * Fee
GF Fee = Licenses * GF Fee + Duplicates * GF Fee + Cycle * GF Fee + Interstate * GF Fee + Intrastate * GF Fee + Renewal * GF Fee

Driver's License Fees

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	1.971861	0.802900	Not App.
A	1988	1.939289	0.790325	-1.57%
A	1989	1.934339	0.788321	-0.25%
A	1990	2.065777	0.862954	9.47%
A	1991	2.114827	0.882589	2.28%
A	1992	3.091645	1.775859	101.21%
A	1993	3.043986	1.693173	-4.66%
A	1994	3.151465	1.855408	9.58%
A	1995	3.259640	2.184202	17.72%
A	1996	4.525185	2.574068	17.85%
A	1997	5.033910	2.953533	14.74%
A	1998	4.824378	2.827707	-4.26%
A	1999	5.491612	3.233718	14.36%
A	2000	3.835971	2.333182	-27.85%
A	2001	3.062533	1.895595	-18.75%
A	2002	4.172805	2.580000	36.11%
A	2003	3.420939	2.119499	-17.85%
A	2004	4.894628	3.021405	42.55%
A	2005	5.562399	3.373220	11.64%
A	2006	4.872301	3.828459	13.50%
A	2007	5.746668	4.608614	20.38%
A	2008	4.845324	3.865872	-16.12%
F	2009	5.824000	4.667000	20.72%
F	2010	4.887000	3.920000	-16.01%
F	2011	5.914000	4.739000	20.89%



Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Revenue Description: Due to passage of Legislative Referendum 116 by the electorate in November 2000, the state inheritance tax was repealed. The tax had been imposed on the transfer of any decedent's property, interest in property, or income from property within the state, to any other person or corporation except a surviving spouse, child or lineal descendant, stepchild, or governmental or charitable organization. Although the referendum was effective immediately, it applied to deaths occurring after December 31, 2000. Thus, inheritance tax revenue will continue to produce revenue, but the amount of revenue will decrease each year. In addition to the inheritance tax, an estate tax is imposed on estates transferred to heirs at death. The Montana estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Congress passed the "Economic Growth and Tax Relief Reconciliation Act of 2001" which scheduled a step down approach to the repeal of the federal estate tax. Provisions of the act included the elimination of the state estate tax credit, the source of Montana's estate tax revenue. The estate credit of those who died in 2002, 2003, and 2004 is reduced by 25 percent per each year until 2005 when the credit will equal zero. Many years may pass before the time that estates are finally settled and the taxes of the estates are paid, and estate tax revenues are expected to become insignificant by the end of the decade. Federal estate tax laws will return to a pre-2002 level for deaths occurring in 2011 and forward if Congress does not take further action to make the repeal of the tax permanent.

Since 1980, revenues from inheritance taxes have fluctuated because of federal and state law changes, changes in wealth, changes in the death rate of the population, accounting procedures, and the processing of large estates.

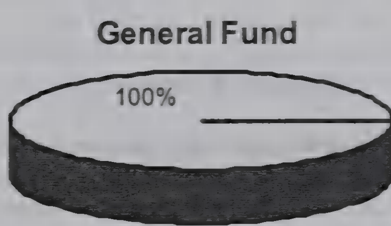
Statutory Reference:

Tax Rate (MCA) – 72-16-905
Tax Distribution (MCA) – 17-2-124(2), 72-16-1003
Date Due – 18 months after death (72-16-909)

Applicable Tax Rate(s): The estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Distribution: All proceeds are deposited into the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.83%
FY 2005 – 0.27%
FY 2006 – 0.10%
FY 2007 – 0.05%
FY 2008 – 0.01%

Revenue Estimate Methodology:

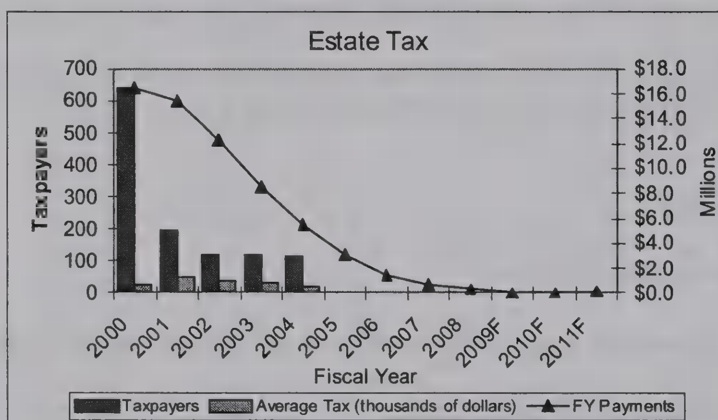
Data

To create the estate tax projection, data are supplied by the Department of Revenue (DOR) and the state accounting system (SABHRS). The DOR provides the details of fiscal year tax filers on individual estates. SABHRS data provides aggregate historic collections of the estate tax.

To prepare fiscal year data from DOR for analysis, several steps must occur. First, the data is separated based on the individual's year of death. This is a necessary step because the estate tax laws are imposed based on the year of death. Next, all new and prior year data is combined by year of death, and that data is sorted based on total tax payment. For the estate tax analysis, the tax filers who do not owe estate tax are ignored.

Analysis

The estate tax has undergone many changes over the past decade. Effective in fiscal 2001, the state eliminated the inheritance tax. Then, with the federal tax relief measures passed by Congress in 2001, the state's refund of the federal estate tax credit was reduced annually; by 25 percent in fiscal 2002, 50 percent in fiscal 2003, and 75 percent in fiscal 2004, and then eliminated for deaths occurring in and after fiscal 2005. At the same time, Congress enacted increasing levels of estate income exemptions, dramatically reducing the amount of tax imposed on estates. At this time, the state no longer collects any current year "death" tax of any sort. However, because of the length of time needed for estates to go through probate and emerge from trusts, estate tax payments are anticipated to continue for many years at steadily decreasing amounts.



Future collections of the estate tax are developed with a complex system of averaging. First, a ratio of taxpayers to deaths is created. The product of that ratio is then adjusted in recognition of the changes in the laws governing the "death" taxes. Next, the average tax paid by taxpayer is calculated. When those quantities are multiplied, the result is the expected estate taxes for the given year of death. The figure above shows the number of taxpayers and the average tax as calculated with this methodology from deaths occurring in 2000 through deaths occurring in fiscal 2004, the last year the federal government refunded the estate tax credit.

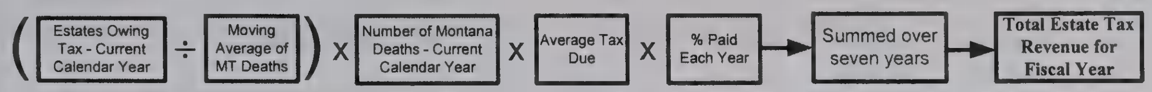
Finally, payments of the estate tax are distributed across the years based on an analysis undertaken by the DOR in the late 1990's. The distribution of the estate tax over the years is presented by the curve in the figure above. In their analysis, the DOR found that payments of the "death" taxes are spread over a large number of calendar year quarters. Factoring the quarterly payment proportions into calendar year proportions, it was determined that payments are spread across approximately 8 years at rates as seen in the figure at the right.

Estate Tax Payment Schedule	
Year of Death	33.3%
1 Year Following Death	41.7%
2 Years Following Death	8.7%
3 Years Following Death	8.1%
4 Years Following Death	4.1%
5 Years Following Death	2.1%
6 Years Following Death	2.1%
7 Years Following Death	2.1%

As a result of this analysis, the estate tax is projected to be $113,000 in fiscal 2009, $29,000 in fiscal 2010, and $5,000 in fiscal 2011.

Estate Tax

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Annual Growth
Actual	2000	19.038785	19.038785	0.040275
Actual	2001	20.285642	20.285642	0.065490
Actual	2002	13.816144	13.816144	-0.318920
Actual	2003	13.305983	13.305983	-0.036925
Actual	2004	11.431103	11.431103	-0.140905
Actual	2005	4.190613	4.190613	-0.633403
Actual	2006	1.773169	1.773169	-0.576871
Actual	2007	0.838865	0.838865	-0.526912
Actual	2008	0.122148	0.122148	-0.854389
Forecast	2009	0.113000	0.113000	-0.071315
Forecast	2010	0.029000	0.029000	-0.747472
Forecast	2011	0.005000	0.005000	-0.813342

Total Tax = Previous Fiscal Total Tax * (1 + Annual Growth)
GF Tax = Total Tax

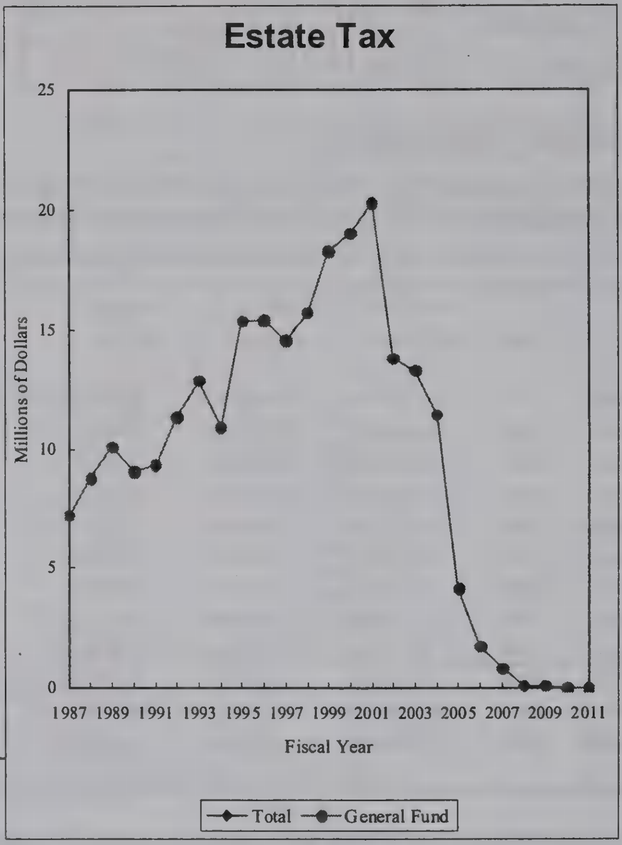
Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	7.212092	7.212092	Not App.
A	1988	8.745457	8.745457	21.26%
A	1989	10.091548	10.091548	15.39%
A	1990	9.049129	9.049129	-10.33%
A	1991	9.339854	9.339854	3.21%
A	1992	11.338204	11.338204	21.40%
A	1993	12.869460	12.869460	13.51%
A	1994	10.885745	10.885745	-15.41%
A	1995	15.382449	15.382449	41.31%
A	1996	15.404110	15.404110	0.14%
A	1997	14.562382	14.562382	-5.46%
A	1998	15.726605	15.726605	7.99%
A	1999	18.301680	18.301680	16.37%
A	2000	19.038785	19.038785	4.03%
A	2001	20.285642	20.285642	6.55%
A	2002	13.816144	13.816144	-31.89%
A	2003	13.305983	13.305983	-3.69%
A	2004	11.431103	11.431103	-14.09%
A	2005	4.190613	4.190613	-63.34%
A	2006	1.773169	1.773169	-57.69%
A	2007	0.838865	0.838865	-52.69%
A	2008	0.122148	0.122148	-85.44%
F	2009	0.113000	0.113000	-7.49%
F	2010	0.029000	0.029000	-74.34%
F	2011	0.005000	0.005000	-82.76%



Revenue Description: The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

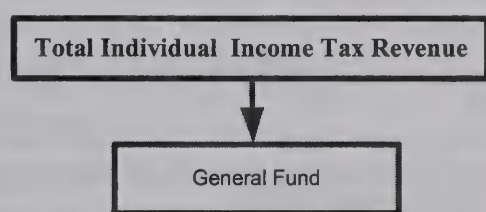
Statutory Reference:

Tax Rate (MCA) – 15-30-103, 15-30-105, 15-30-106
Tax Distribution (MCA) – 17-2-124(2)
Date Due – 15th day of the fourth month of the filer's fiscal year (15-30-144). Withholding taxes due monthly, quarterly, or on an accelerated schedule depending on income (15-30-204). Estimated taxes due on the 15th day of the 4th, 6th, and 9th month and the month following the close of the tax year.

Applicable Tax Rate(s): Tax rates vary from 1.0% to 6.9%, depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted by the rate of inflation in each year. SB 407, enacted by the 2003 Legislature, created a new capital gains income tax credit. As a result the tax rate on capital gains income is less than the tax rate on ordinary income by 1 percent in tax years 2005 and 2006, and by 2 percent in tax year 2007 and beyond.

Distribution: All proceeds are deposited into the general fund.

Distribution Chart:



Summary of Legislative Action:

House Bill 10 – The legislation provides appropriation authority for the Department of Revenue (DOR) to purchase an electronic data imaging system to facilitate more efficient handling of paper returns and other documents that will improve business practices in the areas of compliance, tax processing and information technology. Greater returns to compliance resources and speedier processing of returns are estimated to increase individual income tax audit collections $1,500,000 in FY 2010 and $2,153,000 in FY 2011. The legislation is effective on passage and approval.

House Bill 21 – Under previous law, the credit for investment in recycling equipment and the deduction for business purchases of recycled material would have sunset at the end of calendar year 2011. This legislation makes the credit and deduction permanent. There is no change in income tax revenue in the 2011 biennium. In the 2013 biennium, income tax revenues are reduced $800,000 in FY 2010 and $1,600,000 in FY 2013. The legislation is effective July 1, 2009.

House Bill 163 – In addition to reducing future individual income tax revenues, this legislation also reduces corporation income tax revenue. The revenue effects and details of the latter change are shown in the "Corporation Income Tax" revenue source section. Under previous law, the credits for film production in 15-31-901 through 911, MCA, would have terminated January 1, 2010. This legislation extends the termination date to January 1, 2015. It is expected that the amount of credits claimed will continue as they have in the past, when firms used only a portion of the available credit in any one year and carried over credits in future years. The reduction in income tax revenue is $38,806 in FY 2011, doubles that in FY 2012, triples that in FY 2013, and quadruples that in FY 2014 after which the credit amount will remain stable. The legislation is effective on passage and approval and is effective until January 1, 2015.

House Bill 262 – Section 15-32-201, MCA, allows an income tax credit for up to $500 of the cost of installing an alternative energy system in the taxpayer's principle residence. Beginning in tax year 2009, this legislation expands the eligible investments to include masonry heaters and EPA white-tag certified outdoor wood-fired hydronic heaters. As a result, income tax collections are reduced $28,000 in FY 2010 and $43,000 in FY 2011 and each year thereafter. The legislation is effective on passage and approval.

House Bill 315 – Section 15-30-111, MCA, exempts $3,600 of pension and annuity income from the income tax. This exemption is reduced by $2 for each $1 that the taxpayer's federal adjusted gross income exceeds $30,000. This legislation indexes the amount of the exemption and the phase-out threshold for inflation, with 2009 as the base year. The changes in income tax liability will result in larger refunds or smaller payments with returns when affected taxpayers file their returns in the spring following each tax year. General fund revenue is reduced $107,000 in FY 2011, $304,000 in FY 2012, and $369,000 in FY 2013. The income tax model will be adjusted accordingly. The legislation is effective on passage and approval.

House Bill 636 – The legislation excludes all or part of the gain from the sale of a mobile home park from taxable corporate income or taxable individual income if the sale is to a tenants' association or a mobile home park residents' association, a nonprofit organization purchases a mobile home park on behalf of a tenants' association or mobile home park residents' association, a county housing authority, or a municipal housing authority. The exclusion of recognized gain is limited to 50% for mobile home parks with more than 50 lots and, for mobile home parks with 50 lots or less, the excluded gain is 100%. It is expected that only individual income tax revenues will be affected by HB 636. Beginning in FY 2010, revenue is reduced $8,590 each fiscal year. The legislation is effective on passage and approval.

Senate Bill 181 – The legislation requires information agents, primarily realty transfer companies, to file forms with the DOR reporting certain real estate transactions. The real estate transactions to be reported are those required under the rules or regulations of the United States Department of the Treasury. These forms must be filed under rules to be developed by the DOR. The first tax year where the reporting requirement will apply is tax year 2009 The rules and regulations of the United States Department of the Treasury are those required for reporting transactions via a Form 1099-S, Proceeds from Real Estate Transactions. The forms to be filed with the DOR will be copies of 1099-S. Beginning in FY 2011, revenue increases $900,000 each fiscal year. The legislation is effective on passage and approval.

Senate Bill 418 – This bill updates language and procedures, and has two provisions with fiscal impacts (a third provision was struck due to coordination with the failure of HB 261):

- Increases the income a person who is not a qualifying child of the taxpayer may earn and be claimed as a dependent from $800 to the personal exemption amount, beginning in tax year 2010, decreasing income tax revenue in FY 2011 by $174,038, and in FY 2012 by $183,752, with slight increases thereafter.
- Makes interest the state pays on a refund from a late-filed income tax return begin on the date the return is filed rather than the date when the return was due. Beginning in FY 2010, interest paid out is reduced $50,000 per year.

Sections 1, 4, 11(2) are effective on passage and approval. All other sections are effective October 1, 2009.

Individual Income Tax -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title		Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0010	Long range information technology funding bill		1,500,000	2,153,000
HB0021	Repeal termination date for recycling tax incentives			
HB0163	Revise tax incentives for motion picture industry			(38,806)
HB0262	Revise list of low emission wood combustion devices that qualify for tax cred		(28,000)	(43,000)
HB0315	Increase amount and slow phase out of retiree exclusion from income			(107,000)
HB0636	Tax incentive to sell mobile home park to resident's group		(8,590)	(8,590)
SB0181	Require tax information agents to report certain real estate transactions			900,000
SB0418	Revise administrative provisions of individual income tax		50,000	(124,038)
	Total Estimated General Fund Impact	$0	$1,513,410	$2,731,566

% of Total General Fund Revenue:

FY 2004 – 43.82%
FY 2005 – 46.13%
FY 2006 – 45.01%
FY 2007 – 45.04%
FY 2008 – 44.17%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Estimate Methodology:

Data

There are three kinds of data required to make forecasts of individual income tax revenue. First is historical individual income tax return data, second is state and national historic data on income, inflation, employment, and other economic variables, and third is forecasts of economic activity that determine income and deductions.

Actual individual income tax return data are supplied annually by the Department of Revenue (DOR). This data are usually available in November and are for the prior tax year. The data include line-by-line tax return information for each state income taxpayer (except those that have been removed because of the existence of certain federal information).

The second set of data required is historical information on Montana incomes by type of income, inflation rates, employment, and other economic variables. These data are available from individual income tax returns, Bureau of Economic Analysis, Bureau of Labor Statistics, and Global Insight, a forecasting firm that provides forecasts of national and Montana economic activity.

The third set of data includes forecasts of economic conditions that determine income and deductions. These data are used to produce future growth rates for each income and deduction item, as explained in the methodology section below. Global Insight forecasts a myriad of state and national economic variables that are used to assess overall state and national economic activity.

Analysis

An individual income tax simulation model is used to forecast future Montana calendar year individual income tax liability for all residents. These forecasts are converted to fiscal year liability and are adjusted for audits and possibly one-time events. The individual income tax simulation model reflects the effects of SB 407, the legislation that changed the individual income tax system in Montana and was passed by the 2003 legislature. This legislation collapsed the tax brackets (with a top tax rate of 11 percent in the old system) into a system with 7 tax brackets (with a top rate of 6.9 percent). The model also limits deductibility of federal taxes paid to $5,000 for single taxpayers and $10,000 for married taxpayers.

The calendar year state tax liability forecasts are derived by applying growth rates to each resident taxpayer's income and deduction item. Since the latest year for which tax return data are available is tax year 2007, growth rates must be formulated for tax years 2008 through 2011. These growth rates are applied to each taxpayer's tax return data for each year. A sub-model within the simulation model also forecasts the federal individual income tax liability for each resident taxpayer. The result is a forecast of calendar year state individual income tax liability for each resident, the sum of which results in a statewide forecast of state individual income tax liability for each year.

The individual income tax data for tax year 2007 were adjusted when grown to 2008 by the amount of the federal rebate of $600 per adult taxpayer, and $300 per child. This reflects the one-time infusion of taxable income in 2008.

Credit Assumptions (Millions)

	Calendar year			
	2008	2009	2010	2011
Homeowner/Renter Credits	9.81	9.81	9.81	9.81
Endowment Crdit	2.87	3.02	3.17	3.33
Insurance Credits	3.80	3.80	3.80	3.80
Capital Gains Credit	34.95	28.89	32.25	36.63
Other Credits	33.29	33.60	34.31	35.36
Total Credits	84.73	79.12	83.34	88.93

The statewide forecast of resident individual income tax liability is multiplied by an all-filers percentage. This step is required so the estimates include the tax liability for non-residents. In tax year 2007, nonresidents and part-time residents were 6.0 percent of resident filers. The next step is to adjust the all-filers calendar year tax liability by the expected future growth in the number of taxpayers. This results in a forecast of total calendar year individual income tax liability before credits. From this amount, an estimate of allowable credits are deducted. The credits are shown in the table above. The result is a calendar year individual income tax liability for each future year.

Fiscal Year Conversion

The calendar year liabilities are then converted to fiscal year liabilities by summing an allocation of the prior calendar year's liabilities

with an allocation of the current calendar year tax liability. A prior analysis indicated that the percentage to apply to the prior year is 47.9 percent and to the current year is 52.1 percent.

Audits and Other Assumptions

Once fiscal year liabilities are determined, a calculation of the growth rates between fiscal years is developed. These growth rates are then applied to the latest fiscal year (FY 2008) collections of individual income tax by the state. Before the growth rates are applied, however, the latest collection of individual income tax revenue is adjusted by subtracting out audit and other unusual collections. For instance, in FY 2008, total individual income tax collections were $866.6 million, of which $30.6 million was audit collections. This amount was adjusted further by an estimate of excess payments made by taxpayers in FY 2009 made in October 2008. It is believed that in calendar 2007, taxpayers overpaid $14.4 million in taxes, the refunds for which were made in October 2008. Current refund activity in October 2008 supports this supposition. It is possible this was due to tax payers not adjusting their withholding when the capital gains credit rose to 2 percent in tax year 2007.

Audit and Other Assumptions (Millions)

	Fiscal Year		
	2009	2010	2011
Audits, Penalties and Interest	30.84	31.32	32.15
Excess Refunds in FY 2009	(14.45)	-	-
Other Adjustments to FY 2008 Base Year Collections	9.02	-	-
Legislation Impacts	5.10	5.11	5.11
Depreciation Bonus	(0.52)	(0.72)	0.14

Another adjustment was made for the net effect of several impacts on FY 2008 collections as a result of legislation in 2007. First, the collection data in FY 2008 reflects a reduction in normal revenue due to the $140 residential property tax credit available for tax year 2007. Thus $25.0 million was added to the collections in FY 2008. Second, an amount of $10.1 million was subtracted from FY 2008 collections that reflects the net effect of the new program by the department to collect natural resource taxes by withholding. This amount represents an acceleration of revenue that will not be repeated in the future. Third, $2.8 million was subtracted to reflect the taxes associated with the one-time $400 state property tax rebate for residential property taxes that was made in late 2007. Fourth, $3.1 million is subtracted from FY 2008 collections to reflect insurance credits. Thus, the growth rates for the estimates in fiscal years 2009 through 2011 are applied to an adjusted base number of $836.2 million. Once the amount of anticipated revenue before audits has been forecast, an estimate of future audit receipts as provided by DOR is added. Finally the estimates of individual income tax revenue are adjusted by the effects of other legislation passed in 2007

Growth Rates

The table below contains the growth rates used to forecast calendar years 2008 through 2011 individual income and deduction items.

Individual Income Tax

Income Tax Growth Rates 2008 - 2011

	Calendar Year			
	2008	2009	2010	2011
Full Year Resident Returns (Annual)	0.79%	0.49%	1.40%	1.60%
Inflation State	5.02%	-1.85%	2.55%	3.01%
Inflation Federal	2.29%	4.26%	-0.36%	1.58%
All Filers Multiplier	5.99%	5.99%	5.99%	5.99%
Wages and salaries	2.90%	0.43%	2.32%	4.16%
Interest income	0.53%	-3.91%	-1.00%	9.44%
Dividend income	6.68%	-0.57%	0.33%	2.47%
Net business income	-0.24%	2.46%	4.34%	4.36%
Capital gains	-17.62%	-19.44%	14.80%	13.78%
Supplemental gains	5.32%	5.32%	5.32%	5.32%
Rents, royalties, etc.	0.00%	0.00%	0.00%	0.00%
IRA distributions	5.75%	5.75%	5.75%	5.75%
Taxable pensions	6.06%	6.06%	6.06%	6.06%
Taxable soc. sec.	10.35%	10.35%	10.35%	10.35%
Farm income	0.00%	0.00%	0.00%	0.00%
Other income	7.07%	7.07%	7.07%	7.07%
Adjustments to income	5.00%	5.00%	5.00%	5.00%
ADDITIONS:				
Interest on local govt. bonds	0.53%	-3.91%	-1.00%	9.44%
Federal income tax refunds	0.00%	0.00%	0.00%	0.00%
Other additions	0.00%	0.00%	0.00%	0.00%
REDUCTIONS:				
Farm risk management account	0.00%	0.00%	0.00%	0.00%
Elderly interest exclusion	0.53%	-3.91%	-1.00%	9.44%
Exclusion for savings bonds	0.53%	-3.91%	-1.00%	9.44%
Exempt pension income	0.00%	0.00%	0.00%	0.00%
Unemployment income	3.13%	3.13%	3.13%	3.13%
Medical savings account excl.	13.69%	13.69%	13.69%	13.69%
Family education account excl.	20.92%	20.92%	20.92%	20.92%
First-time homebuyers acct. excl.	-4.42%	-4.42%	-4.42%	-4.42%
Other reductions	5.00%	5.00%	5.00%	5.00%
Health Care Professional Loan Pmt excl	0.00%	0.00%	0.00%	0.00%
TAX ITEMS:				
Montana tax withheld	5.00%	5.00%	5.00%	5.00%
Payments of estimated tax	5.00%	5.00%	5.00%	5.00%
ITEMIZED DEDUCTIONS:				
Medical insurance premiums	6.68%	6.68%	6.68%	6.68%
Medical deduction	6.51%	6.51%	6.51%	6.51%
Long-term care insurance	8.92%	8.92%	8.92%	8.92%
Balance of federal tax	7.14%	7.14%	7.14%	7.14%
Additional federal tax	5.64%	5.64%	5.64%	5.64%
Property taxes	5.63%	5.63%	5.63%	5.63%
Other deductible taxes	5.64%	5.64%	5.64%	5.64%
Home mortgage interest	7.23%	7.23%	7.23%	7.23%
Deductible investment interest	5.90%	5.90%	5.90%	5.90%
Contributions	7.84%	7.84%	7.84%	7.84%
Child/dependent care expenses	-2.66%	-2.66%	-2.66%	-2.66%
Casualty and theft losses	-6.00%	-6.00%	-6.00%	-6.00%
Tier I - Miscellaneous	6.78%	6.78%	6.78%	6.78%
Tier II - Miscellaneous	5.16%	5.16%	5.16%	5.16%
Gambling Losses	6.62%	6.62%	6.62%	6.62%

Legislative Fiscal Division

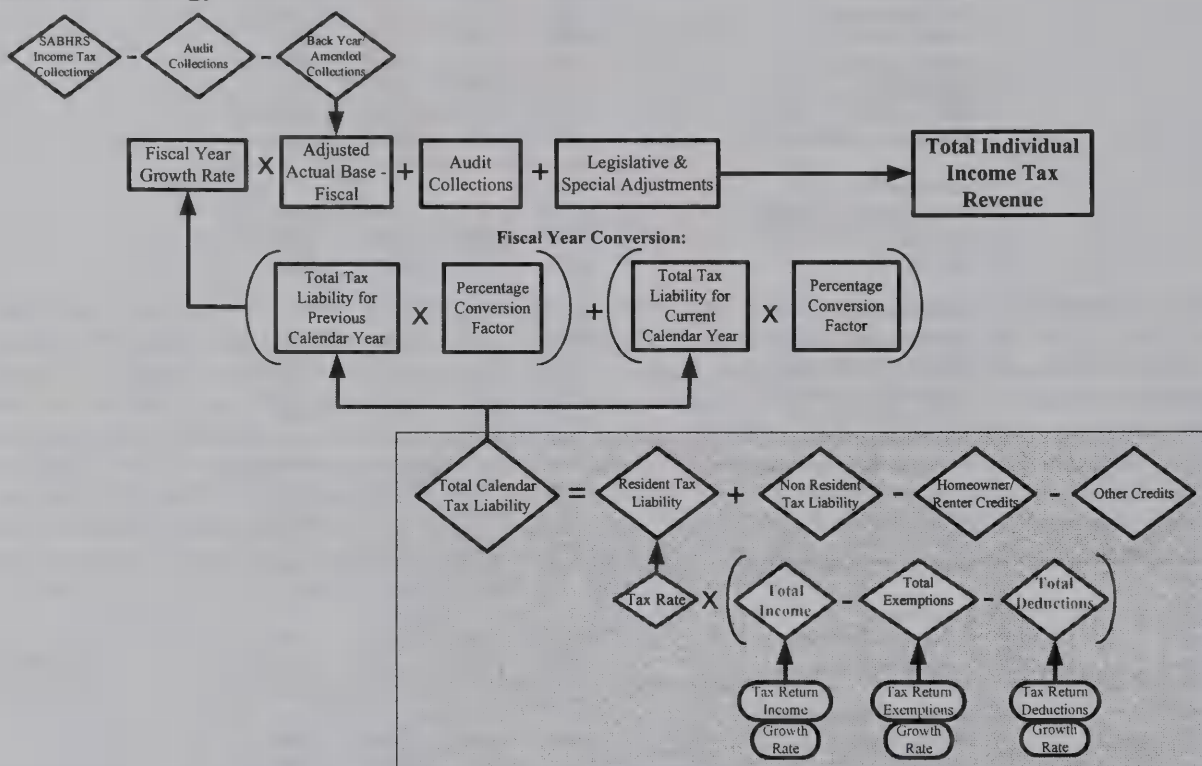
Revenue Estimate Profile

Individual Income Tax

The forecasts of individual income tax collections are shown in the table below.

Income Tax Forecast (Millions)		
Fiscal Year	Amount	Change
Fiscal Year 2009	$ 854.82	-1.37%
Fiscal Year 2010	$ 856.29	0.17%
Fiscal Year 2011	$ 880.78	2.86%

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Legislation Millions	Depreciation Bonus Millions	Other Adjustments Millions
Actual	2004	605.348420	605.348420	0.000000	0.000000	0.000000
Actual	2005	706.234579	706.234579	0.000000	0.000000	0.000000
Actual	2006	768.922343	768.922343	0.000000	0.000000	0.000000
Actual	2007	827.145498	827.145498	0.000000	0.000000	0.000000
Actual	2008	866.659000	866.659000	0.000000	0.000000	0.000000
Forecast	2009	850.748000	850.748000	5.104000	-0.523603	9.020000
Forecast	2010	839.289000	839.289000	5.111000	-0.723952	0.000000
Forecast	2011	855.324000	855.324000	5.109000	0.141690	0.000000

	t Fiscal	Total Tax Annual Percent	GF Tax Annual Percent	Legislation Percent	Depreciation Bonus Millions	Other Adjustments Percent
Actual	2004					
Actual	2005	16.6658%	16.6658%	NA	NA	NA
Actual	2006	8.8763%	8.8763%	NA	NA	NA
Actual	2007	7.5720%	7.5720%	NA	NA	NA
Actual	2008	4.7771%	4.7771%	NA	NA	NA
Forecast	2009	-1.8359%	-1.8359%	NA	NA	NA
Forecast	2010	-1.3469%	-1.3469%	NA	NA	NA
Forecast	2011	1.9105%	1.9105%	NA	NA	NA

	t Fiscal	Total Liability Millions	Total Liability Percent	Collections less Aud & XS Refund Millions	Percent Percent	Excess Refund Adjustment Millions	Audits Millions	Audits Percent
Actual	2004	586.531665		577.409850		0.000000	29.922459	
Actual	2005	647.290546	10.3590%	670.640182	16.1463%	0.000000	37.240151	24.4555%
Actual	2006	702.193696	8.4820%	746.178752	11.2637%	0.000000	22.743591	-38.9272%
Actual	2007	754.024024	7.3812%	801.670373	7.4368%	0.000000	25.475125	12.0101%
Actual	2008	772.158670	2.4050%	836.021885	4.2850%	0.000000	30.636653	20.2611%
Forecast	2009	769.869759	-0.2964%	816.066119	-2.3870%	-14.447000	30.100755	-1.7492%
Forecast	2010	759.620336	-1.3313%	805.201831	-1.3313%	0.000000	29.700018	-1.3313%
Forecast	2011	773.424141	1.8172%	819.833959	1.8172%	0.000000	30.239726	1.8172%

	t Cal.	Resident Liability Millions	Population Adjustment Percent	Homeowner Credit Millions	All Other Credits Millions	All Filers Multiplier Percent	All Filers Liability Millions
Actual	2004	620.964952	1.000000	12.193124	26.948002	1.072926	627.108316
Actual	2005	652.487295	1.000000	11.580412	32.957621	1.086025	665.398807
Actual	2006	729.198022	1.000000	10.726021	39.718632	1.078537	736.022394
Actual	2007	771.627088	1.000000	9.810626	37.473260	1.059914	770.574467
Forecast	2008	764.650206	1.009672	9.810626	40.049143	1.078198	782.558579
Forecast	2009	752.682929	0.994652	9.810626	39.186739	1.078198	758.203838
Forecast	2010	751.246429	1.000245	9.810626	39.457613	1.078198	760.922645
Forecast	2011	765.705417	1.011836	9.810626	40.625081	1.078198	784.917839

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t Cal.	Resident Liability Percent	Population Adjustment Percent	Homeowner Credit Percent	All Other Credits Percent	All Filers Multiplier Percent	All Filers Liability Percent
Actual	2004						
Actual	2005	5.0763%	0.0000%	-5.0251%	22.3008%	1.2209%	6.1059%
Actual	2006	11.7567%	0.0000%	-7.3779%	20.5143%	-0.6895%	10.6137%
Actual	2007	5.8186%	0.0000%	-8.5343%	-5.6532%	-1.7267%	4.6944%
Forecast	2008	-0.9042%	0.9672%	0.0000%	6.8739%	1.7250%	1.5552%
Forecast	2009	-1.5651%	-1.4876%	0.0000%	-2.1534%	0.0000%	-3.1122%
Forecast	2010	-0.1909%	0.5623%	0.0000%	0.6912%	0.0000%	0.3586%
Forecast	2011	1.9247%	1.1588%	0.0000%	2.9588%	0.0000%	3.1534%

	t Cal.	Wages Millions	Annual Growth	Interest Millions	Annual Growth	Dividends Millions	Annual Growth	Federal Inflation Growth
Actual	2004	10,209.868547		411.888867		379.386080		2.2807%
Actual	2005	10,840.673693	6.1784%	480.087683	16.5576%	463.027085	22.0464%	2.3028%
Actual	2006	11,779.591544	8.6611%	636.780024	32.6383%	521.733730	12.6789%	3.1068%
Actual	2007	12,669.893871	7.5580%	756.825601	18.8520%	619.818662	18.7998%	3.9037%
Forecast	2008	13,157.684785	3.8500%	751.839515	-0.6588%	657.894307	6.1430%	2.2871%
Forecast	2009	13,256.367421	0.7500%	671.016767	-10.7500%	629.539063	-4.3100%	4.2624%
Forecast	2010	13,562.589508	2.3100%	635.519980	-5.2900%	602.846606	-4.2400%	-1.1921%
Forecast	2011	13,951.835827	2.8700%	664.118379	4.5000%	619.244034	2.7200%	0.6076%

	t Cal.	Business Income Millions	Annual Growth	Capital Gains Millions	Annual Growth	Supplemental Gains Millions	Annual Growth	State Inflation Growth
Actual	2004	680.789997		1,193.177168		69.724283		3.2662%
Actual	2005	749.587514	10.1055%	1,554.054359	30.2451%	77.631349	11.3405%	2.5303%
Actual	2006	785.303056	4.7647%	2,006.020579	29.0830%	67.793383	-12.6727%	4.3295%
Actual	2007	762.060275	-2.9597%	2,088.578896	4.1155%	66.366623	-2.1046%	2.6866%
Forecast	2008	786.979646	3.2700%	1,726.827921	-17.3204%	69.896511	5.3188%	5.0222%
Forecast	2009	757.782701	-3.7100%	1,095.672316	-36.5500%	73.614145	5.3188%	-2.9613%
Forecast	2010	725.576936	-4.2500%	1,331.241864	21.5000%	77.529512	5.3188%	1.8019%
Forecast	2011	729.712725	0.5700%	1,518.795207	14.0886%	81.653128	5.3188%	2.3842%

	t Cal.	Rents, Royalties S-Corps Millions	Annual Growth	Farm Income Gains Millions	Annual Growth	Social Security Millions	Annual Growth
Actual	2004	1,283.270778		-139.623058		305.542493	
Actual	2005	1,704.629493	32.8347%	-125.935382	-9.8033%	359.184070	17.5562%
Actual	2006	1,944.998907	14.1010%	-176.145427	39.8697%	434.517972	20.9736%
Actual	2007	1,976.847413	1.6375%	-155.988767	-11.4432%	508.636749	17.0577%
Forecast	2008	2,164.647917	9.5000%	-155.988767	0.0000%	561.280653	10.3500%
Forecast	2009	2,160.751551	-0.1800%	-155.988767	0.0000%	619.373200	10.3500%
Forecast	2010	1,997.182659	-7.5700%	-155.988767	0.0000%	683.478326	10.3500%
Forecast	2011	2,064.088278	3.3500%	-155.988767	0.0000%	754.218333	10.3500%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t Cal.	IRA Income Millions	Annual Growth	Pension Income Millions	Annual Growth	Other Income Millions	Annual Growth
Actual	2004	271.069295		1,146.454816		-78.401984	
Actual	2005	308.394240	13.7695%	1,216.408584	6.1017%	-70.992520	-9.4506%
Actual	2006	339.908795	10.2189%	1,317.954258	8.3480%	-49.247766	-30.6296%
Actual	2007	396.198583	16.5603%	1,416.590262	7.4840%	186.908067	-479.5260%
Forecast	2008	418.963276	5.7458%	1,502.455996	6.0614%	200.115982	7.0665%
Forecast	2009	425.247725	1.5000%	1,524.992836	1.5000%	214.257238	7.0665%
Forecast	2010	431.626441	1.5000%	1,547.867728	1.5000%	229.397790	7.0665%
Forecast	2011	456.426740	5.7458%	1,641.690764	6.0614%	245.608254	7.0665%

	t Cal.	Total Income Millions	Annual Growth	IRA, Etc Reductions Millions	Annual Growth	Fed Adjusted Gross Income Millions	Annual Growth
Actual	2004	15,733.147282		322.437719		15,410.709563	
Actual	2005	17,556.750168	11.5908%	367.926583	14.1078%	17,188.823585	11.5382%
Actual	2006	19,609.209055	11.6904%	389.094958	5.7534%	19,220.114097	11.8175%
Actual	2007	21,320.193697	8.7254%	427.199652	9.7932%	20,892.994045	8.7038%
Forecast	2008	21,842.597741	2.4503%	448.559635	5.0000%	21,394.038107	2.3981%
Forecast	2009	21,272.626196	-2.6094%	470.987616	5.0000%	20,801.638579	-2.7690%
Forecast	2010	21,668.868584	1.8627%	494.536997	5.0000%	21,174.331587	1.7917%
Forecast	2011	22,571.402902	4.1651%	519.263847	5.0000%	22,052.139055	4.1456%

	t Cal.	Bond Interest Millions	Annual Growth	FIT Refunds Millions	Annual Growth	Other Additions Millions	Annual Growth
Actual	2004	47.870779		271.610536		205.778955	
Actual	2005	47.838094	-0.0683%	252.492445	-7.0388%	153.779954	-25.2693%
Actual	2006	71.964993	50.4345%	147.708240	-41.4999%	326.647706	112.4124%
Actual	2007	79.868372	10.9823%	146.327719	-0.9346%	324.513661	-0.6533%
Forecast	2008	79.342187	-0.6588%	146.327719	0.0000%	324.513661	0.0000%
Forecast	2009	70.812902	-10.7500%	146.327719	0.0000%	324.513661	0.0000%
Forecast	2010	67.066899	-5.2900%	146.327719	0.0000%	324.513661	0.0000%
Forecast	2011	70.084909	4.5000%	146.327719	0.0000%	324.513661	0.0000%

	t Cal.	Farm Risk Mgmt Excl. Millions	Annual Growth	Int. Exc. Elderly Millions	Annual Growth	Savings Bond Millions	Annual Growth
Actual	2004	0.009694	NA	37.998529		43.523775	
Actual	2005	0.000000	-100.0000%	38.040881	0.1115%	49.152173	12.9318%
Actual	2006	0.000000	NA	43.447193	14.2118%	67.566360	37.4636%
Actual	2007	0.000000	NA	47.408013	9.1164%	76.997436	13.9582%
Forecast	2008	0.000000	NA	47.095682	-0.6588%	76.490165	-0.6588%
Forecast	2009	0.000000	NA	42.032896	-10.7500%	68.267472	-10.7500%
Forecast	2010	0.000000	NA	39.809356	-5.2900%	64.656123	-5.2900%
Forecast	2011	0.000000	NA	41.600777	4.5000%	67.565648	4.5000%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t Cal.	Unemployment Millions	Annual Growth	Med. Savings Millions	Annual Growth	Family Education Millions	Annual Growth
Actual	2004	67.368156		13.876118		7.474032	
Actual	2005	56.427479	-16.2401%	14.351849	3.4284%	6.984276	-6.5528%
Actual	2006	58.694074	4.0168%	15.790740	10.0258%	7.515336	7.6037%
Actual	2007	62.871680	7.1176%	16.637763	5.3640%	8.008773	6.5657%
Forecast	2008	64.836861	3.1257%	18.915469	13.6900%	9.684424	20.9227%
Forecast	2009	66.863468	3.1257%	21.504992	13.6900%	11.710667	20.9227%
Forecast	2010	68.953421	3.1257%	24.449020	13.6900%	14.160854	20.9227%
Forecast	2011	71.108699	3.1257%	27.796084	13.6900%	17.123686	20.9227%

	t Cal.	First Time Home Millions	Annual Growth	Doctor Student Loan Excl. Millions	Annual Growth	Other Reductions Millions	Annual Growth
Actual	2004	0.866326		0.330155		585.906558	
Actual	2005	0.732091	-15.4947%	0.258197	-21.7952%	656.586579	12.0634%
Actual	2006	0.587253	-19.7842%	0.250626	-2.9323%	784.246528	19.4430%
Actual	2007	0.538547	-8.2939%	0.256554	2.3653%	855.990665	9.1482%
Forecast	2008	0.514737	-4.4212%	0.256554	0.0000%	898.790198	5.0000%
Forecast	2009	0.491979	-4.4212%	0.256554	0.0000%	943.729708	5.0000%
Forecast	2010	0.470227	-4.4212%	0.256554	0.0000%	990.916194	5.0000%
Forecast	2011	0.449437	-4.4212%	0.256554	0.0000%	1,040.462003	5.0000%

	t Cal.	Reductions to Income Millions	Reductions Annual Growth	Additions to Income Millions	Additions Annual Growth	MT Adjusted Gross Income Millions	MAGI Annual Growth
Actual	2004	924.792643		525.260270		15,011.177190	
Actual	2005	953.276861	3.0801%	454.110493	-13.5456%	16,689.657217	11.1815%
Actual	2006	1,107.147070	16.1412%	546.320939	20.3057%	18,659.287966	11.8015%
Actual	2007	1,195.607426	7.9899%	550.709752	0.8033%	20,248.096371	8.5148%
Forecast	2008	1,116.584089	-6.6095%	550.183567	-0.0955%	20,827.637584	2.8622%
Forecast	2009	1,154.857735	3.4277%	541.654282	-1.5503%	20,188.435126	-3.0690%
Forecast	2010	1,203.671747	4.2268%	537.908279	-0.6916%	20,508.568119	1.5857%
Forecast	2011	1,266.362889	5.2083%	540.926289	0.5611%	21,326.702456	3.9892%

	t Cal.	Medical Premiums Millions	Annual Growth	Medical Deductions Millions	Annual Growth	Long Term Care Millions	Annual Growth
Actual	2004	251.763151		258.564236		18.472371	
Actual	2005	266.946118	6.0307%	273.368945	5.7257%	19.124533	3.5305%
Actual	2006	304.942061	14.2336%	274.060275	0.2529%	21.552299	12.6945%
Actual	2007	314.537194	3.1465%	287.408401	4.8705%	24.551454	13.9157%
Forecast	2008	335.554299	6.6819%	306.113509	6.5082%	26.740553	8.9164%
Forecast	2009	357.975748	6.6819%	326.035983	6.5082%	29.124841	8.9164%
Forecast	2010	381.895380	6.6819%	347.255052	6.5082%	31.721720	8.9164%
Forecast	2011	407.413301	6.6819%	369.855099	6.5082%	34.550147	8.9164%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t Cal.	Federal Income Tax Deducted Millions	Annual Growth	Real Estate Millions	Annual Growth	Other Taxes Millions	Annual Growth
Actual	2004	1,749.652428		313.019635		44.860192	
Actual	2005	915.474509	-47.6768%	313.167636	0.0473%	56.835533	26.6948%
Actual	2006	1,003.148676	9.5769%	335.796457	7.2258%	64.308000	13.1475%
Actual	2007	1,065.150406	6.1807%	351.507817	4.6788%	63.501418	-1.2542%
Forecast	2008	1,016.238133	-4.5921%	371.303491	5.6316%	67.082973	5.6401%
Forecast	2009	976.571287	-3.9033%	392.213988	5.6316%	70.866532	5.6401%
Forecast	2010	1,000.273853	2.4271%	414.302090	5.6316%	74.863488	5.6401%
Forecast	2011	1,039.915001	3.9630%	437.634115	5.6316%	79.085878	5.6401%

	t Cal.	Home Mortgage Millions	Annual Growth	Deductible Interest Millions	Annual Growth	Contributions Millions	Annual Growth
Actual	2004	775.952387		27.543815		375.309514	
Actual	2005	852.044469	9.8063%	38.056370	38.1667%	447.798065	19.3143%
Actual	2006	965.230692	13.2841%	54.142196	42.2684%	463.825892	3.5793%
Actual	2007	1,099.986447	13.9610%	59.497325	9.8909%	658.657631	42.0054%
Forecast	2008	1,179.518861	7.2303%	63.004847	5.8953%	710.320526	7.8437%
Forecast	2009	1,264.801713	7.2303%	66.719146	5.8953%	766.035686	7.8437%
Forecast	2010	1,356.250779	7.2303%	70.652413	5.8953%	826.120955	7.8437%
Forecast	2011	1,454.311895	7.2303%	74.817556	5.8953%	890.919112	7.8437%

	t Cal.	Child Care Millions	Annual Growth	Casuality Millions	Annual Growth	Miscellaneous Expense 1 Millions	Annual Growth
Actual	2004	1.544650		3.618700		160.407920	
Actual	2005	1.494959	-3.2170%	4.477764	23.7396%	174.095185	8.5328%
Actual	2006	1.391599	-6.9139%	7.373395	64.6669%	186.204149	6.9554%
Actual	2007	1.471368	5.7322%	4.675161	-36.5942%	204.621089	9.8907%
Forecast	2008	1.432246	-2.6589%	4.394426	-6.0048%	218.503055	6.7842%
Forecast	2009	1.394164	-2.6589%	4.130549	-6.0048%	233.326805	6.7842%
Forecast	2010	1.357094	-2.6589%	3.882518	-6.0048%	249.156233	6.7842%
Forecast	2011	1.321011	-2.6589%	3.649380	-6.0048%	266.059565	6.7842%

	t Cal.	Miscellaneous Expense 2 Millions	Annual Growth	Gambling Losses Millions	Annual Growth	Capital Gains Credit Millions	Annual Growth
Actual	2004	4.928271		5.747520		0.000000	
Actual	2005	6.133005	24.4454%	7.371107	28.2485%	15.361935	NA
Actual	2006	8.989306	46.5726%	7.915594	7.3868%	19.599422	27.5843%
Actual	2007	5.361661	-40.3551%	8.914262	12.6165%	40.025383	104.2172%
Forecast	2008	5.638158	5.1569%	9.504206	6.62%	34.536558	-13.7134%
Forecast	2009	5.928914	5.1569%	10.133193	6.62%	21.913446	-36.5500%
Forecast	2010	6.234665	5.1569%	10.803806	6.62%	26.624837	21.5000%
Forecast	2011	6.556182	5.1569%	11.518800	6.62%	30.375904	14.0886%

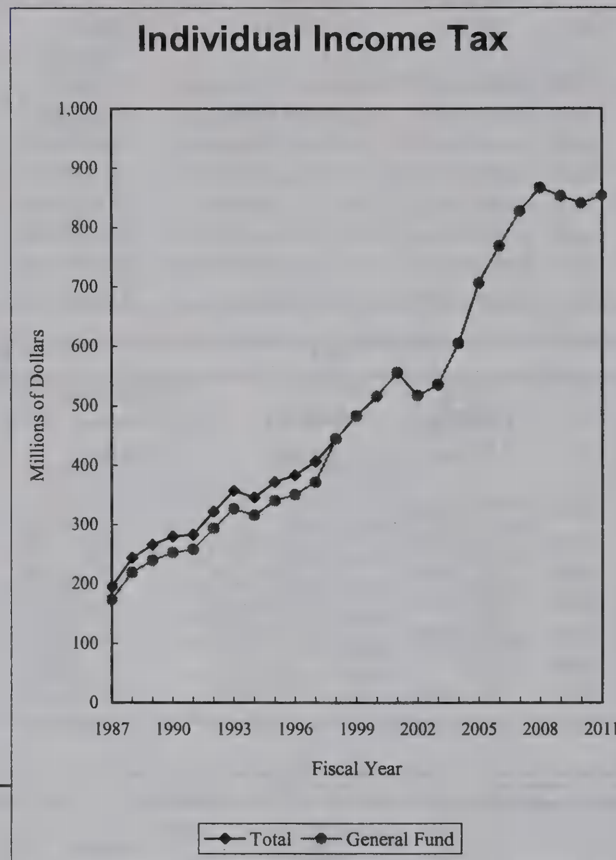
Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	194.676947	173.262483	Not App.
A	1988	243.768721	219.241292	26.54%
A	1989	265.539814	238.963596	9.00%
A	1990	279.642960	252.230465	5.55%
A	1991	282.960086	258.216424	2.37%
A	1992	321.538093	293.564151	13.69%
A	1993	356.986934	326.187735	11.11%
A	1994	345.643403	315.677433	-3.22%
A	1995	371.902909	339.939156	7.69%
A	1996	383.091612	350.161013	3.01%
A	1997	406.275740	371.275410	6.03%
A	1998	444.160729	444.160729	19.63%
A	1999	483.031571	483.031571	8.75%
A	2000	516.261912	516.261912	6.88%
A	2001	556.014554	556.014554	7.70%
A	2002	517.567691	517.567691	-6.91%
A	2003	535.830664	535.830664	3.53%
A	2004	605.582309	605.348420	12.97%
A	2005	707.343333	706.234579	16.67%
A	2006	768.922343	768.922343	8.88%
A	2007	827.145498	827.145498	7.57%
A	2008	866.659000	866.659000	4.78%
F	2009	852.615000	852.615000	-1.62%
F	2010	840.263000	840.263000	-1.45%
F	2011	852.746000	852.746000	1.49%



Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Description: The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance and license fees are also collected.

Statutory Reference:

Tax Rate (MCA) – 33-2-705(2), 33-2-311, 33-28-201(1&2), 50-3-109(1)
Fee Rate (MCA) – 33-2-708(1&2), 33-14-201(2), 33-2-712, 33-38-105
Tax Distribution (MCA) – 33-2-708(3), 33-2-712, 50-3-109(1), 33-28-120
Date Due – March 1st each year (33-2-705(1), 33-2-712, 33-28-201(1&2)). Quarterly payments due the 15th of April, June, September, and December (Administrative Rules 6.6.2704, 6.6.2705)

Applicable Tax Rate(s): The current tax rate is 2.75% of net premiums (including cancellation and return premiums) on policies sold in Montana. In addition to this tax, there is a 2.5 % tax on the fire portion of net premiums for selected risks. Beginning FY 2008 with the enactment of HB 278 (2007 session), for each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay $1.00 to the State Insurance Commissioner. The fee had been scheduled to be reduced to $0.70, but the legislation extended the $1.00 fee indefinitely. This fee is deposited to the state special revenue fund and used to fund the statewide genetics program established in statute (50-19-211, MCA). Senate Bill 132 (enacted by the 1999 Legislature) eliminated many disparate fees on insurance companies, which had partially been deposited into the general fund, and replaced them with a single company annual fee of $1,900. Revenue from this fee is deposited to the state special revenue fund for administration of insurance activities. The following table lists various insurance related fees. Captive insurance companies are taxed 0.4 percent on the first $20 million of net direct premiums and 0.3 percent on each subsequent dollar collected. The annual $5,000 minimum tax is prorated based on the quarter in which the company is first licensed.

Insurance Fees Collected by the State Auditor

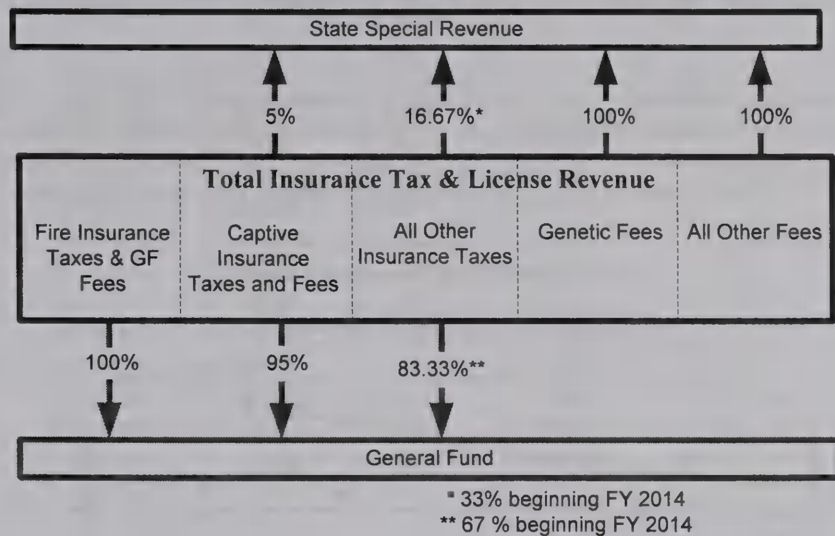
Fee	Amount	MCA Cite	ARM Cite
General Fund			
Farm mutual insurer filing of articles of incorporation	10.00	33-4-202	
Farm mutual county insurer certificate of authority	10.00	33-4-505	
Farm mutual state insurer certificate of authority	25.00	33-4-505	
Benevolent association certificate of authority and reinstatement	25.00	33-6-401	
Fraternal benefit society report filing	25.00	33-7-118	
Fraternal benefit society certificate of authority renewal	10.00	33-7-217	
Fraternal benefit society lapsed certificate of authority reinstatement	25.00	33-7-217	
Insurance administrator certificate of registration application and renewal	100.00	33-17-603	
Medical care discount card certification and renewal	100.00	33-38-105	
State Auditor's Office			
Domestic and foreign insurer accreditation	275.00	33-1-313	6.6.4101
Insurance producers charges and expenses for examinations	Variable	33-1-413	
Reinstatement of certificate of authority	100.00	33-2-117	
Certificate of authority	1,900.00	33-2-708	
Non-resident application for original license	100.00	33-2-708	
Non-resident biennial license renewal	50.00	33-2-708	
Non-resident lapsed license reinstatement	100.00	33-2-708	
Resident lapsed insurance producer's license reinstatement	100.00	33-2-708	
Surplus lines insurance producer license application	50.00	33-2-708	
Surplus lines insurance producer license biennial renewal	100.00	33-2-708	
Surplus lines insurance lapsed producer license reinstatement	200.00	33-2-708	
Insurance adjuster license application	50.00	33-2-708	
Insurance adjuster license biennial renewal	100.00	33-2-708	
Insurance adjuster lapsed license reinstatement	200.00	33-2-708	
Insurance consultant license application	50.00	33-2-708	
Insurance consultant license biennial renewal	100.00	33-2-708	
Insurance consultant lapsed license reinstatement	200.00	33-2-708	
Rental car entity producer license application	100.00	33-2-708	
Rental car entity producer quarterly filing	25.00	33-2-708	
A copy of each document page	0.50	33-2-708	

Insurance Fees Collected by the State Auditor (continued)

Fee	Amount	MCA Cite	ARM Cite
Review of each course or program submitted for continuing education	75.00	33-2-708	
Genetics program fee for each MT resident insured	1.00	33-2-712	
Surplus lines stamping fee	1% of base premium	33-2-321	6.6.2804
Charges and expenses for examinations	Variable	33-4-315	
Fraternal benefit society charges and expenses for examinations	Variable	33-7-119	
Fraternal benefit society service of process	2.00	33-7-123	
Guaranty associations charges and expenses for examinations	Variable	33-10-218	
Premium finance company license application	100.00	33-14-201	
Premium finance company license renewal	100.00	33-14-201	
Rating & advisory organization charges and expenses for examinations	Variable	33-16-106	
Rating & advisory organization license application	100.00	33-16-403	
Insurance producers background examination	Variable	33-17-201	
Insurance producers charges and examinations	Variable	33-17-212	
Review of each non-resident course submitted for continuing education	75.00	33-17-1206	6.6.4213
Viatical settlement provider registration application	1,900.00	33-20-1315	6.6.8502
Viatical settlement broker license	50.00	33-20-1315	6.6.8502
Viatical settlement provider license renewal	1,900.00	33-20-1315	6.6.8503
Captive insurance company license application	200.00	33-28-102	
Captive insurance company license renewal	300.00	33-28-102	
Captive insurance company examinations and investigations	Variable	33-28-108	
Health service corporation certified copies	0.50	33-30-204	
Health service corporation membership contract filing	25.00	33-30-204	
Health service corporation membership contract package filing	100.00	33-30-204	
Health service corporation filing statement	25.00	33-30-204	
Health service corporation license	300.00	33-30-204	
Health service corporation license renewal	300.00	33-30-204	
Health maintenance organization certification of authority	300.00	33-31-212	
Health maintenance organization amendment to documents	25.00	33-31-212	
Health maintenance organization statement filing	25.00	33-31-212	
Health maintenance organization certification of authority renewal	300.00	33-31-212	
Health maintenance organization charges & examinations	Variable	33-31-401	
Actual cost to review an application for a managed care community network	Variable	53-6-703	6.6.5805

Distribution: With the approval of Initiative 155 by the electorate in November 2008, 67 percent of insurance tax proceeds from the tax on surplus lines premiums and net premiums had been deposited into the general fund. The remaining 33 percent of revenue had been deposited to the state special revenue to expand the children health insurance program and Medicaid eligibility of uninsured children. HB 676 enacted by the 2009 Legislature temporarily changed the percentage distribution to 16.67 percent for the 2011 and 2013 biennia. All fire insurance premiums are deposited to the general fund. Due to enactment of SB 161 by the 2007 legislature, five percent of premium tax revenue from captive insurance company and all fees and assessments on captive insurance companies are deposited to a state special revenue fund to be used to administer captive insurance captive insurance company statutes and reimburse expenses incurred in promoting captive insurance in Montana. The other 95 percent of captive insurance premium tax revenue is deposited to the general fund. License fees and the 1% stamping fee on surplus lines insurance premiums are deposited into the state special revenue fund for use by the State Auditor. Beginning October 2005, the genetic fee revenue is deposited to the state special revenue fund.

Distribution Chart:



Summary of Legislative Action:

House Bill 160 – The legislation changes how captive insurance companies calculate premium taxes. The tax rate brackets are reduced from four to two: 1) 0.4 percent on the first $20 million of net direct premiums; and 2) 0.3 percent on each subsequent dollar collected. Since no premiums had been taxed at a rate lower than 0.3 percent under the previous law, there are no revenue impacts from this change. The legislation also prorates the annual $5,000 minimum tax paid based on the quarter in which the company is first licensed: 1^{st} - $5,000; 2^{nd} - $3,750; 3^{rd} - $2,500; and 4^{th} - $1,250. Proration of the minimum tax reduces general fund revenue $7,500 in FY 2010 and $7,500 in FY 2011. The legislation is effective July 1, 2009.

House Bill 676 – The percentage distribution of insurance premium taxes to the healthy Montana kids state special revenue account is changed from 33 percent to 16.67 percent. State special revenue decreases $10,889,921 in FY 2010 and $11,452,464 in FY 2011. General fund revenue increases by the same amounts. The legislation is effective July 1, 2009 and the section changing the percentage distribution of insurance premium taxes terminates June 30, 2013.

Insurance Tax & License Fees -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0160 Revise captive insurer laws		(7,500)	(7,500)
HB0676 Statutory implementation of general appropriations act		10,889,921	11,452,464
Total Estimated General Fund Impact	$0	$10,882,421	$11,444,964

% of Total General Fund Revenue:

FY 2004 – 4.11%
FY 2005 – 3.74%
FY 2006 – 3.44%
FY 2007 – 3.33%
FY 2008 – 3.26%

Revenue Estimate Methodology:

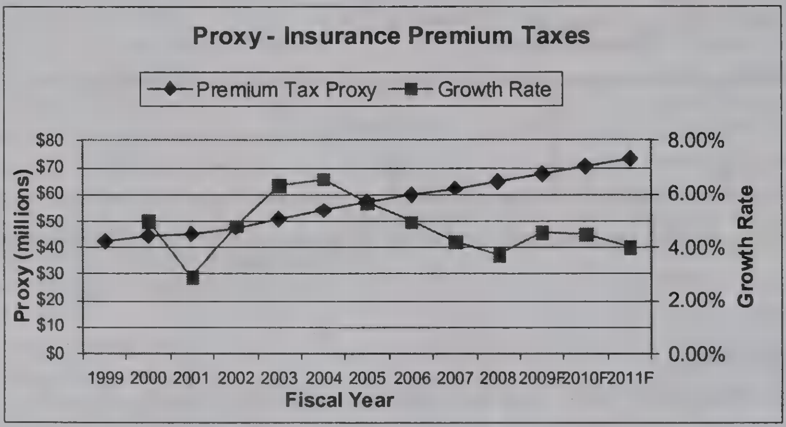
The large majority of insurance tax and license fee revenue is from premium taxes with minor amounts from a multitude of different fees. Estimates are made for these components based on measures of growth and then summed. This total is reduced by estimates of refunds and guarantee offsets. Guarantees are amounts that members of the Montana comprehensive health associations are required to pay into a reserve account (up to 1 percent of the total disability insurance premium received from Montana residents). The amount of these payments reduces (offsets) premium tax liabilities dollar for dollar (33-22-1513(7), MCA).

Data

The state accounting system provides historical collection data for the various components needed for the analysis. These include collections of insurance premium taxes, genetics program fees, and various general fund and state special revenue fees. The State

Auditor's Office provides historical data on offsets and refunds as well as estimates for these items for the 3-year period.

Analysis
Because offsets and refunds can vary substantially, the technique used to estimate the premium tax revenue component of this source begins by adding the offset and refund amounts to the amounts shown on the state accounting system to derive a "true" amount of taxes. To estimate premium taxes, an exponent to the base of the natural logarithm is determined from a regression analysis based on long-term interest rates from FY 1990 to FY 2008. Premium taxes paid and long-term interest rates show an inverse relationship.

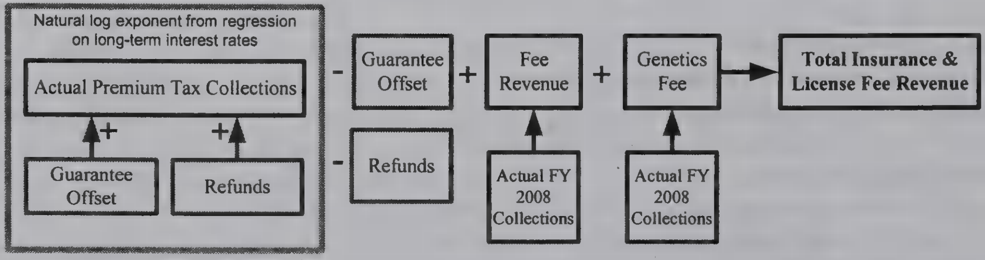


From the estimated amounts, offsets and refunds as estimated by the State Auditor's Office are subtracted to derive the amount of net premium taxes expected to be received by the state.

If no better information is available, the estimates for the other components such as genetics program fees, general fund fees, and state special revenue fees are a continuation of the last known fiscal year amounts.

Adjustments and Distribution
Once each component has been estimated, adjustments if any, are made. Since each component is estimated separately and each goes to either the general fund or the state special revenue fund, the distribution of the revenue has already been done.

Forecast Methodology



Revenue Estimate Assumptions
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

	t Fiscal	Total Tax Millions	GF Tax Millions	Non-GF Fees Millions	GF Fees Millions	CHIP Millions
Actual	2000	42.617531	39.333537	3.283994	1.028229	
Actual	2001	45.951678	42.297647	3.654031	0.444540	
Actual	2002	51.083956	47.290738	3.793218	0.290736	
Actual	2003	54.789956	50.809600	3.980356	0.378097	
Actual	2004	61.063242	56.532929	4.530313	0.623010	
Actual	2005	61.289844	57.308425	3.981419	-0.416721	
Actual	2006	64.521416	58.794762	4.816049	0.199100	
Actual	2007	66.321001	61.074266	4.199638	0.001513	
Actual	2008	69.265493	64.003987	4.556137	0.012600	
Forecast	2009	71.156000	49.877842	4.556137	0.012600	15.972158
Forecast	2010	74.680000	47.836152	4.556137	0.012600	21.537848
Forecast	2011	78.118000	50.206454	4.556137	0.012600	22.605546

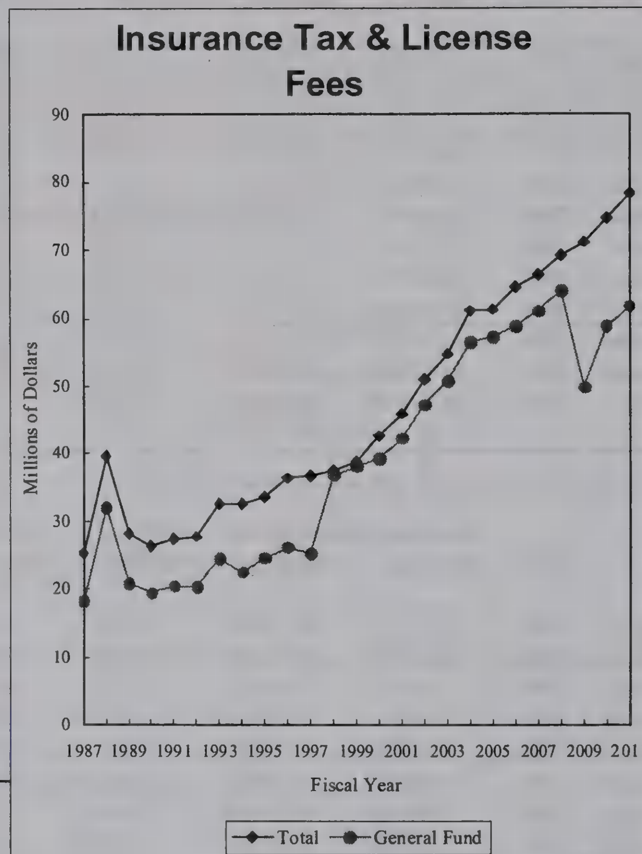
	t Fiscal	Genetics Millions	Premium Tax Millions	Offsets Millions	Refunds Millions
Actual	2000	0.542398	40.121480	2.082935	1.881369
Actual	2001	0.634902	42.405287	0.861069	0.326014
Actual	2002	0.569711	47.682854	0.740006	0.512557
Actual	2003	0.563399	52.037866	1.463016	0.706745
Actual	2004	0.582956	56.775107	1.161437	0.286707
Actual	2005	0.634985	59.308556	1.650234	0.568162
Actual	2006	0.910605	60.064454	1.116040	0.352752
Actual	2007	1.047097	62.879617	1.678518	0.128346
Actual	2008	0.749971	65.703393	1.576475	0.180132
Forecast	2009	0.749971	67.597162	1.510000	0.250000
Forecast	2010	0.749971	71.184849	1.510000	0.250000
Forecast	2011	0.749971	74.771141	1.510000	0.250000

Total Tax = Non-GF Fees + GF Fees + Genetics + Premium Tax - Offsets - Refunds
GF Tax = GF Fees + Premium Tax - Offsets - Refunds - CHIP

Insurance Tax & License Fees

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	25.299537	18.245085	Not App.
A	1988	39.564932	32.047077	75.65%
A	1989	28.085448	20.882814	-34.84%
A	1990	26.430389	19.446368	-6.88%
A	1991	27.400168	20.438058	5.10%
A	1992	27.767615	20.387391	-0.25%
A	1993	32.536113	24.463587	19.99%
A	1994	32.506094	22.510848	-7.98%
A	1995	33.662134	24.600092	9.28%
A	1996	36.388114	26.132824	6.23%
A	1997	36.813468	25.341540	-3.03%
A	1998	37.561196	36.813041	45.27%
A	1999	38.848530	38.137472	3.60%
A	2000	42.617531	39.333537	3.14%
A	2001	45.951678	42.297647	7.54%
A	2002	51.083956	47.290738	11.80%
A	2003	54.789956	50.809600	7.44%
A	2004	61.063242	56.532929	11.26%
A	2005	61.289844	57.308425	1.37%
A	2006	64.521416	58.794762	2.59%
A	2007	66.321001	61.074266	3.88%
A	2008	69.265493	64.003987	4.80%
F	2009	71.156000	49.878000	-22.07%
F	2010	74.737000	58.763000	17.81%
F	2011	78.323000	61.798000	5.16%



Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Revenue Description: Investment advisors and investment companies pay various fees to the state. These fees are for: 1) registration of securities and agents; 2) registration of securities by notification; 3) notice of a federal filing of a federally secured security; and 4) name changes.

Statutory Reference:

Fee Rate (MCA) – 30-10-209, 30-10-904

Fee Distribution (MCA) – excess to general fund (30-10-115), 30-10-209(6), portfolio notice fee (30-10-209(1d)), 30-10-210(2), 30-10-907

Date Due (Regulation of dealers) – initial (upon registration), annual (prior to December 31st) (30-10-201 (9&11)

Date Due (Regulation of securities) – upon registration (30-10-206(3c), valid for one year (30-10-209(1b)), renewal (prior to termination date):

Applicable Tax Rate(s): Initial and annual security registration fees vary based on the offering price of securities, but cannot be less than $200 or more than $1,000. Initial and annual registration fees for a broker-dealer, investment adviser, and federal covered adviser are $200. Initial and annual registration fees for a salesperson or investment adviser are $50. The fee for name changes to series, portfolio, or a subdivision of an investment company is $50. More details on the fees are provided below.

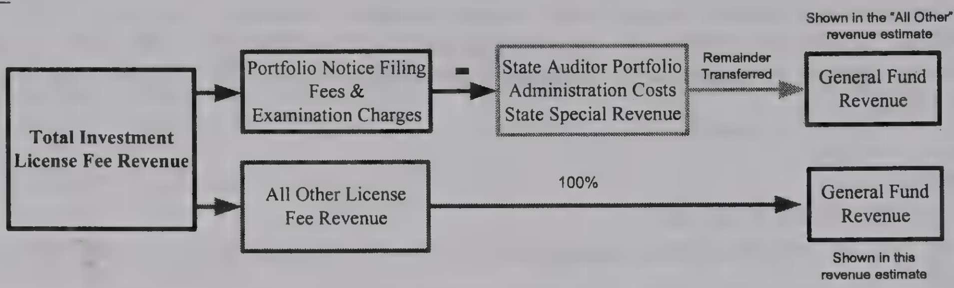
Security Fees Collected by the State Auditor

Fee	Amount	MCA Cite	ARM Cite
General Fund			
Certified or uncertified copies	0.50	30-10-107	
Initial registration for the first $100,000 issue	200	30-10-209	
Additional registration fee of 0.1% over $100,000 max of $1,000	1,000	30-10-209	
Registration renewal fee of 0.1%, min of $200 & max of $1,000	1,000	30-10-209	
Late amended registration 0.3%, min of $600 & max of $3,000	3,000	30-10-209	
Name change of series, portfolio or other subdivision of an issuer	50	30-10-209	
Registration for broker-dealer or investment adviser	200	30-10-209	
Registration renewal for broker-dealer or investment adviser	200	30-10-209	
Initial registration for salesperson or investment adviser representative	50	30-10-209	
Registration renewal for salesperson or investment adviser representative	50	30-10-209	
Transfer of registration for salesperson or investment adviser representative	50	30-10-209	
Initial registration for federal covered adviser	200	30-10-209	
Registration renewal for federal covered adviser	200	30-10-209	
Certified or uncertified copies	Variable	30-10-209	
Request for exemption for transaction in compliance with rules-first $100,000	200	30-10-209	6.10.120
Request for exemption for transaction in compliance with rules-0.1% over $100,000, $1,000 max	1,000	30-10-209	6.10.120
Request for exemption for other transactions	50	30-10-209	
Living trusts initial license application for the first $100,000 issue	200	30-10-904	
Living trusts additional license application fee of 0.1% over $100,000 max of $1,000	1,000	30-10-904	
Living trusts license renewal fee of 0.1%, min of $200 & max of $1,000	1,000	30-10-904	
State Auditor's Office			
Collected examination costs	Various	30-10-115	
Portfolio notice filing - Initial registration for the first $100,000 issue	200	30-10-209	
Portfolio notice filing - Additional registration fee of 0.1% over $100,000 max of $1,000	1,000	30-10-209	
Portfolio notice filing - Registration renewal fee of 0.1%, min of $200 & max of $1,000	1,000	30-10-209	
Portfolio notice filing - Late amended registration 0.3%, min of $600 & max of $3,000	3,000	30-10-209	

Distribution: All fees except portfolio notice filing fees and examination charges are deposited to the general fund. Portfolio notice filing fees and examination charges are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a non-budgeted transfer and is shown under the "All Other" revenue category.

Investment License Fee

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 - 0.35%
FY 2005 - 0.34%
FY 2006 - 0.33%
FY 2007 - 0.33%
FY 2008 - 0.33%

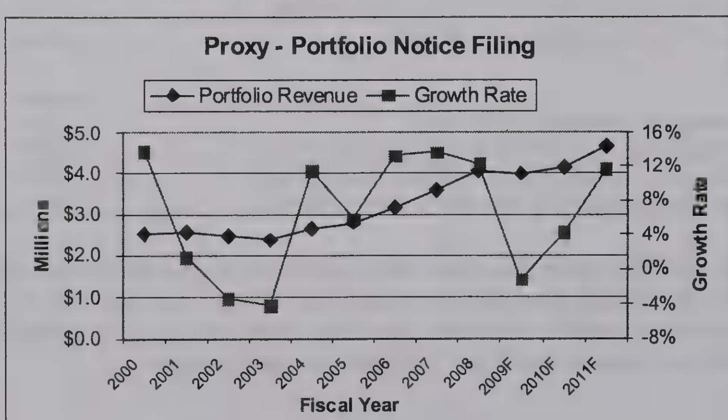
Revenue Estimate Methodology: Investment license fee revenue is obtained from two major sources: 1) portfolio notice filing and examination fees (state special revenue); and 2) many other varied fees (general fund). The portfolio notice filing fees, examination fees, and other permit revenue are estimated separately and then summed.

Data

The state accounting system (SABHRS) provides historical collection data for the state special revenue portfolio notice filing fees. Revenue from examination fee and fees distributed to the general fund is also available and, depending on the analysis technique used to derive the estimate for this source, this data is also used. The State Auditor's Office provides revenue estimates of the general fund and examination fees in its biennial budget submission for the 3-year period under consideration. Also provided in the budget submission are requested appropriations for the portfolio regulatory program that are needed to determine the transfer amount of portfolio notice filing and examination fee revenue to the general fund.

Analysis

To estimate the revenue from the portfolio notice filing fee, licenses, and permits, the same technique is used. A regression analysis of collections from FY 2000 to FY 2008 based on the S&P Index provides yearly growth rates. The rates are applied to each previous year to derive the estimate for each fiscal year (see the figure below).

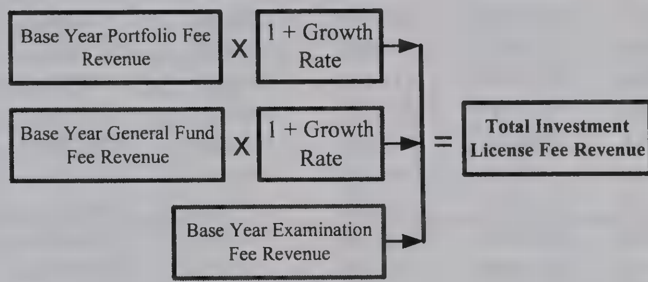


Adjustments and Distribution

Once each component has been estimated, adjustments, if any, are made. Since the general fund and the state special revenue component are estimated under separate methodologies, the distribution of the revenue has already been done. However, there is a

further distribution of the portfolio notice filing and examination fee revenue after it is in the state special revenue fund. Once there, the revenue is reduced by estimates of the appropriations required by the State Auditor's Office to regulate portfolio activities. The remaining amount of the fee revenue is then transferred to the general fund. The general fund transfer amounts are not shown in this revenue source, but are shown in the "All Other" revenue source.

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Transfer Millions	Licenses Millions	Portfolio Millions	Portfolio Expenses Millions
Actual	2000	7.915054	5.389593	2.296258	5.389593	2.525461	0.151983
Actual	2001	8.447250	5.888594	2.445000	5.888594	2.558656	0.135759
Actual	2002	7.467433	4.991593	2.179165	4.991593	2.475840	0.202493
Actual	2003	7.520038	5.141561	2.036200	5.141787	2.378477	0.320954
Actual	2004	7.485904	4.833881	2.113000	4.833881	2.652023	0.683808
Actual	2005	8.007099	5.192327	2.110000	5.192327	2.814772	0.689948
Actual	2006	8.763918	5.584127	2.234000	5.584127	3.179791	0.653932
Actual	2007	9.692058	6.094903	2.977013	6.094903	3.597155	0.630113
Actual	2008	10.556365	6.513962	3.309251	6.513962	4.042403	0.673655
Forecast	2009	10.119000	6.127000	3.003000	6.127231	3.991673	0.989092
Forecast	2010	10.371000	6.210000	3.011000	6.209974	4.161091	1.149719
Forecast	2011	11.471000	6.825000	3.488000	6.824966	4.646570	1.158452

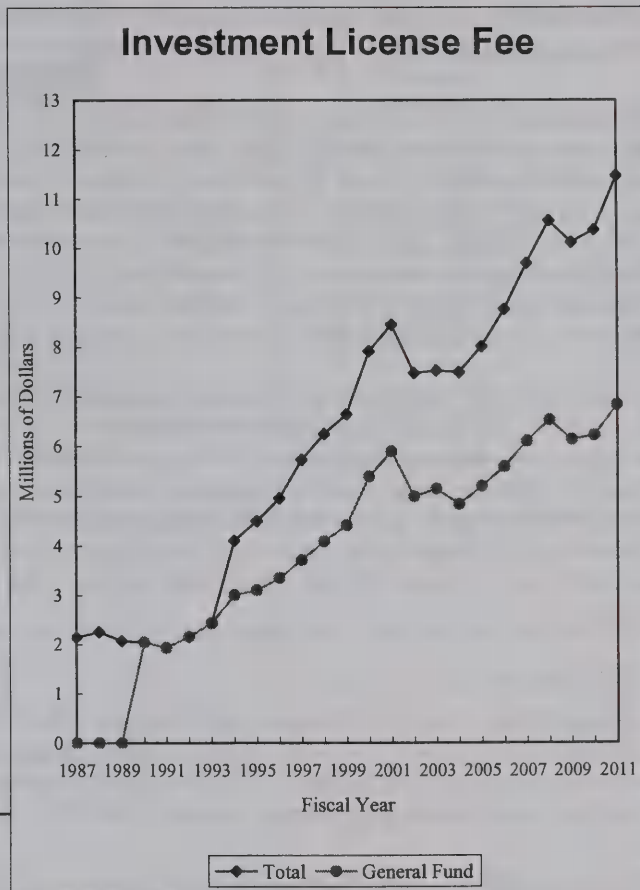
	t Fiscal	Licenses Growth %	Portfolio Growth %	Expense Growth %
Actual	2000	0.221213	0.137475	0.044550
Actual	2001	0.092586	0.013144	-0.106749
Actual	2002	-0.152329	-0.034073	0.491562
Actual	2003	0.030089	-0.042251	0.585013
Actual	2004	-0.059883	0.114598	1.130548
Actual	2005	0.074153	0.058485	0.008979
Actual	2006	0.075457	0.132697	-0.052201
Actual	2007	0.091469	0.136850	-0.036424
Actual	2008	0.068756	0.124118	0.069102
Forecast	2009	-0.059370	-0.012549	0.468247
Forecast	2010	0.013504	0.042443	0.162398
Forecast	2011	0.099033	0.116671	0.007596

Total Tax = Licenses + Portfolio - Portfolio Expenses
GF Tax = Licenses
GF Transfer = Portfolio - Portfolio Expenses

Investment License Fee

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	2.140191	0.000000	Not App.
A	1988	2.249184	0.000000	Not App.
A	1989	2.066512	0.000000	Not App.
A	1990	2.040484	2.040484	Not App.
A	1991	1.926470	1.926470	-5.59%
A	1992	2.148119	2.148119	11.51%
A	1993	2.428086	2.428086	13.03%
A	1994	4.099445	2.999890	23.55%
A	1995	4.497142	3.098903	3.30%
A	1996	4.954212	3.343572	7.90%
A	1997	5.724848	3.710080	10.96%
A	1998	6.241477	4.085657	10.12%
A	1999	6.634687	4.413311	8.02%
A	2000	7.915054	5.389593	22.12%
A	2001	8.447250	5.888594	9.26%
A	2002	7.467433	4.991593	-15.23%
A	2003	7.520038	5.141561	3.00%
A	2004	7.485904	4.833881	-5.98%
A	2005	8.007099	5.192327	7.42%
A	2006	8.763918	5.584127	7.55%
A	2007	9.692058	6.094903	9.15%
A	2008	10.556365	6.513962	6.88%
F	2009	10.119000	6.127000	-5.94%
F	2010	10.371000	6.210000	1.35%
F	2011	11.471000	6.825000	9.90%



Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

Revenue Description: The state imposes two taxes on room charges collected by lodging facilities and campgrounds – a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging.

The 3 percent lodging sales tax began June 1, 2003 and applies to hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exempt are facilities: 1) for health care; 2) owned by non-profit corporations for use by people under 18-years of age for camping; 3) whose average daily charge is less than 60 percent of the amount the state of Montana reimburses for lodging; or 4) rented for 30 days or more. Sales to the U.S. government are also exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The vendor must pay the tax due by the last day of the month following a calendar quarter. Vendors are allowed to claim and keep five percent of the tax as an allowance, not to exceed $1,000 a quarter. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed.

The 4 percent lodging facility use tax applies to facilities containing individual sleeping rooms or suites, providing overnight lodging for periods of less than 30 days to the general public for compensation. This includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, or bed and breakfasts. Exempt are: 1) non-profit or religious corporation facilities used primarily by persons under 18 years of age for camping; 2) facilities whose average daily charge does not exceed 60 percent of the amount the state of Montana reimburses for lodging; or 4) rented for 30 days or more. All facilities must be registered with the Department of Revenue. Any of the tax paid by state employees is returned to the fund that paid the tax. Since general fund pays a portion of the tax, a portion is returned to the general fund. This amount is also shown in the "All Other Revenue" profile.

Statutory Reference:

Tax Rate (MCA) – 15-65-111 (lodging facility use tax), 15-68-102 (lodging sales tax)
Tax Distribution (MCA) – 15-65-121 (lodging facility use tax), 15-68-820 (lodging sales tax)
Date Due – Lodging facility use tax is due before the end of calendar quarter (15-65-112). The lodging sales tax is due the last day of the month following the calendar quarter (15-68-502(1)).

Applicable Tax Rate(s): The lodging sales tax is 3.0 percent of the sales price. The lodging facility use tax is 4.0 percent of room charges.

Distribution:

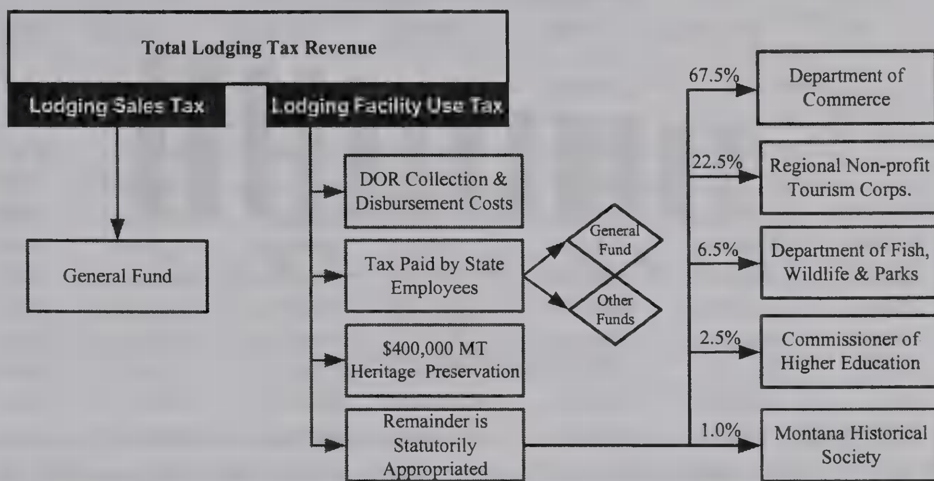
1. Sales Tax: 100% general fund
2. Lodging Facility Use Tax: The revenue is first distributed: 1) to the Department of Revenue in the amount appropriated for collection and disbursement costs; 2) to the various funds from which payments of the tax paid by state employees were made, including the general fund; and 3) $400,000 to the Montana heritage preservation and development fund which is statutorily appropriated for restoring and maintaining historic properties. After these distributions, the remainder is distributed and statutorily appropriated:
   - 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
   - 22.5% to regional nonprofit tourism corporations.
   - 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
   - 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
   - 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

A small portion for reimbursement of lodging facility taxes paid by state employees is included in "All Other General Fund Revenue"

FY 2004 – 0.67%
FY 2005 – 0.67%
FY 2006 – 0.63%
FY 2007 – 0.70%
FY 2008 – 0.68%

Revenue Estimate Methodology:

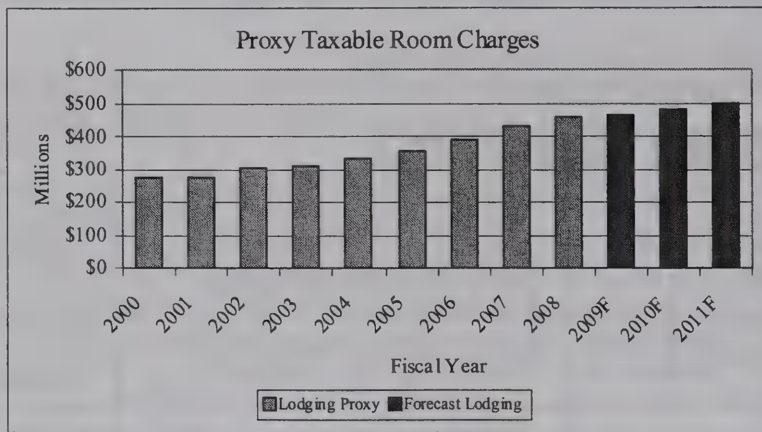
Data

Data from the state accounting system (SABHRS) is used to prepare the estimate for the two lodging facility taxes. Additional data, such as the consumer price index projections, provided by the Global Insight, and non-residential tourism expenditures, provided by the Institute for Tourism and Recreation Research, is used to evaluate the results of the methodology.

Total lodging taxes are made up of two separate taxes, the lodging facility use tax, which is deposited into state special revenue accounts to fund state tourism activities, and the lodging sales tax, which is deposited into the general fund. The same base, in the form of a proxy for taxable room charges, is used as the starting point both sources, and both taxes are estimated using a single proxy of the taxable room charges in Montana.

Analysis

Because the lodging taxes exhibit relatively consistent growth from year to year, the projection of the proxy for lodging receipts is estimated using a linear trend regression model. The trend is based on the proxy taxable room charges, beginning in fiscal 1988 when the tax was first assessed. The results of the model are depicted in the figure below.



The statistics of fit show that a linear trend accurately measures the rate of growth in the number of taxable room charges in Montana. The regression model utilizes three independent variables. The main variable of the model is the passage of time, and two dummy variables (variables with a value of 0 or 1) serve to reduce extreme variations in the data series (1992 and 2003). The model provides an R^2 rating of 0.993. This means that the linear trend explains 99.3 percent of the variability of the number of taxable room charges in Montana, when all other impacts are held constant.* The model produces an estimated increase in taxable room charges equal to approximately 3.0 percent per fiscal year. The model predicts taxable room charges of $464.2 million, $480.0 million, and $500.1 million in fiscal years 2009 through 2011, respectively.

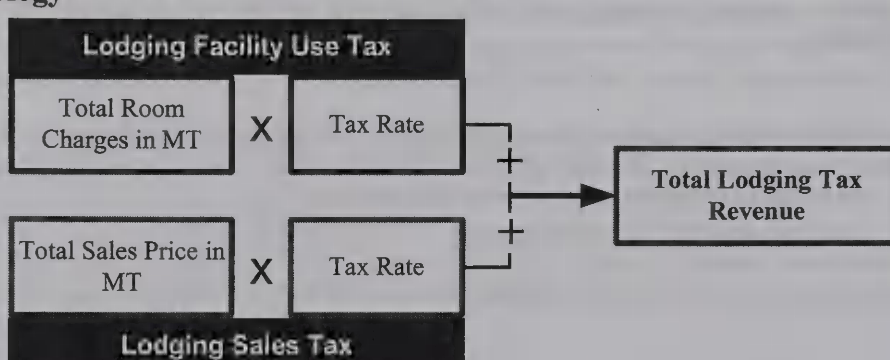
After the projections for the taxable room charges are determined, the amounts are reduced by ratio to account for the difference apparent in the taxable room receipts of the lodging facility use tax and lodging sales tax. Finally, the estimates for each of the taxes are determined by multiplying the estimates of taxable room charges by the tax rate. Revenue from the two taxes is then added together to create the gross fiscal year estimates of the lodging facility taxes.

Adjustments

Several adjustments are required before the revenues of the lodging facility use tax are distributed. A portion of the collections is distributed to the DOR to cover the expenses associated with administration of the tax and reimbursements are provided to the general fund and other funds for the tax paid by state employees who stay in lodging facilities in connection with their jobs. After the gross lodging facility use tax estimates are adjusted, the remainder of the revenues flow to the statutorily designated agencies.

*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

	t Fiscal	Total Tax Millions	GF Tax Millions	Accom. Sales Millions	Accom. Tax Rate Rate	Lodging Sales Millions	Lodging Tax Rate Rate	DOR Admin. Millions
Actual	2000	11.052773	0.000000	271.801250	4.0000%			0.114927
Actual	2001	11.161741	0.000000	277.905225	4.0000%			0.114525
Actual	2002	11.862436	0.000000	303.947925	4.0000%			0.126368
Actual	2003	12.612664	2.271237	309.012625	4.0000%			0.103338
Actual	2004	22.848038	9.278658	333.172100	4.0000%	0.000000	3.0000%	0.137254
Actual	2005	24.636260	10.200914	353.688925	4.0000%	0.000000	3.0000%	0.141371
Actual	2006	25.519386	10.679216	388.458725	4.0000%	0.000000	3.0000%	0.029122
Actual	2007	30.620373	12.916075	427.346325	4.0000%	0.000000	3.0000%	0.149981
Actual	2008	31.743967	13.389534	458.652725	4.0000%	0.000000	3.0000%	0.149107
Forecast	2009	31.354000	13.109000	456.137610	4.0000%	0.000000	3.0000%	0.154480
Forecast	2010	31.993000	13.376000	465.440038	4.0000%	0.000000	3.0000%	0.133709
Forecast	2011	33.308000	13.926000	484.563895	4.0000%	0.000000	3.0000%	0.133752

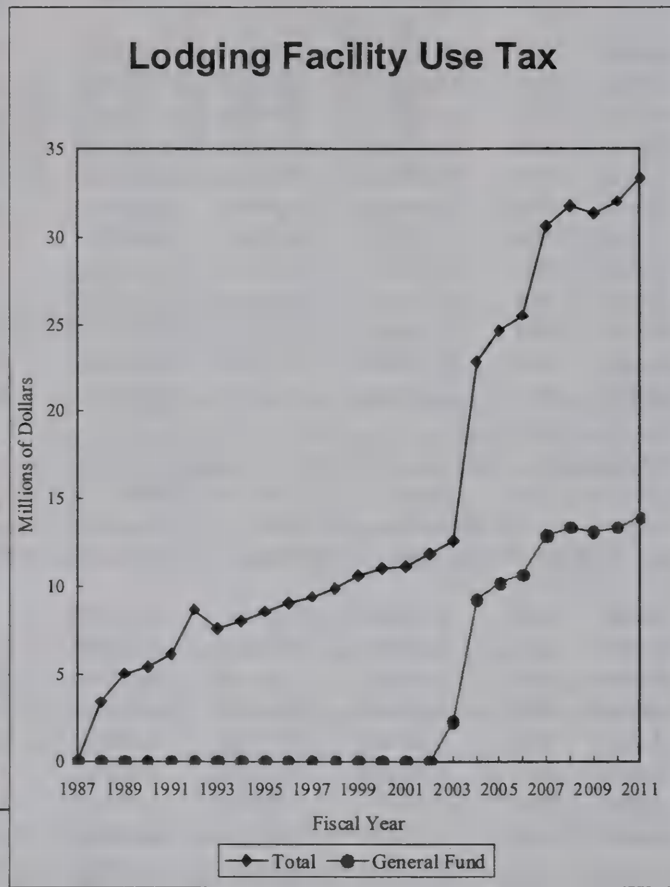
	t Fiscal	Higher Ed. Millions	DOC Millions	Sites & Signs Millions	Regional Millions	FWP Millions	MT. Heritage Millions	All Other Entities Millions
Actual	2000	0.263447	7.113045	0.105379	2.371015	0.684960	0.400000	0.000000
Actual	2001	0.267061	7.210657	0.106824	2.403552	0.694358	0.400000	-0.035236
Actual	2002	0.283388	7.651483	0.113892	2.550494	0.736809	0.400000	0.000002
Actual	2003	0.288449	6.088121	0.115511	2.596040	0.749968	0.400000	0.000000
Actual	2004	0.325804	8.796686	0.130321	2.932227	0.847088	0.400000	0.000000
Actual	2005	0.347350	9.378433	0.138940	3.126144	0.903108	0.400000	0.000000
Actual	2006	0.360276	9.727458	0.144110	3.242486	0.936718	0.400000	0.000000
Actual	2007	0.428858	11.579164	0.171543	3.859721	1.115031	0.400000	0.000000
Actual	2008	0.445134	12.018595	0.178053	4.006198	1.157346	0.400000	0.000000
Forecast	2009	0.442000	11.941000	0.177000	3.980000	1.150000	0.400000	0.000000
Forecast	2010	0.452000	12.206000	0.181000	4.069000	1.175000	0.400000	0.000000
Forecast	2011	0.471000	12.723000	0.188000	4.241000	1.225000	0.400000	0.000000

Total Tax = Accom. Sales * Accom. Tax Rate + Lodging Sales * Lodging Tax Rate
GF Tax = Lodging Sales * Lodging Tax Rate

Lodging Taxes

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	3.372657	0.000000	Not App.
A	1989	5.017691	0.000000	Not App.
A	1990	5.413325	0.000000	Not App.
A	1991	6.159098	0.000000	Not App.
A	1992	8.676123	0.000000	Not App.
A	1993	7.618080	0.000000	Not App.
A	1994	8.009919	0.000000	Not App.
A	1995	8.572355	0.000000	Not App.
A	1996	9.071216	0.000000	Not App.
A	1997	9.404826	0.000000	Not App.
A	1998	9.903343	0.000000	Not App.
A	1999	10.664082	0.000000	Not App.
A	2000	11.052773	0.000000	Not App.
A	2001	11.161741	0.000000	Not App.
A	2002	11.862436	0.000000	Not App.
A	2003	12.612664	2.271237	Not App.
A	2004	22.848038	9.278658	308.53%
A	2005	24.636260	10.200914	9.94%
A	2006	25.519386	10.679216	4.69%
A	2007	30.620373	12.916075	20.95%
A	2008	31.743967	13.389534	3.67%
F	2009	31.354000	13.109000	-2.10%
F	2010	31.993000	13.376000	2.04%
F	2011	33.308000	13.926000	4.11%



Legislative Fiscal Division
Revenue Estimate Profile
Motor Vehicle Fee

Revenue Description: The state assesses a variety of motor vehicle fees, such as fees for the filing of motor vehicle liens, fees for new license plates, title fees, and annual and permanent registration fees. The fees vary according to the type of vehicle (i.e., motor vehicle, snowmobile, etc.) and the type of license plate (regular, personal, military, etc.). There are also Gross Vehicle Weight (GVW) fees on trucks and pickups, as well as special fees for senior citizen transportation, veteran services, the highway patrol pension fund, salaries for the highway patrol, motorcycle safety, electronic commerce applications, and an optional $4 registration fee on light vehicles for state parks and fishing access sites.

Effective January 1, 2004, all fees on motorcycles and quadricycles, trailers, travel trailers, snowmobiles, off-highway vehicles, and watercraft are one-time only and permanent, except upon change of ownership. Fees on other vehicles are annual. Light vehicles older than ten years old may be licensed permanently, at the option of the owner. New license plate fees increased from $2 to $5. The registration fees on campers and pontoons and rubber rafts are eliminated. Beginning January 1, 2005, the registration fees on all light vehicles increased, as did permanent fees on recreational trailers, off-highway vehicles, snowmobiles, recreational vehicles, and motorcycles. Beginning January 2006, motor homes 11 years or older may be permanently registered and the registration fee for certain vehicles increased $5 to fund Highway Patrol salaries.

Due to changes enacted by HB 671 and SB 285 by the 2005 Legislature, registration fee revenue reported by counties on the county collection report are now being recorded as vehicle taxes. Therefore, revenue shown for this source shows a large decline in FY 2006 from FY 2005, but revenue increases by a like amount in the "Vehicle Tax" revenue source. Due to enactment of HB 90 by the 2007 Legislature, lien filing fee increases are extended through June 2016 and certificate of title fee increases are extended through June 2018. SB 508 enacted by the 2009 Legislature created an online vehicle insurance verification system funded by new fees, increased existing fees, and earmarking of existing fees.

Statutory Reference:

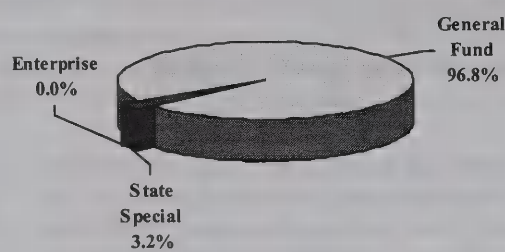
Tax Fee rate – multiple, but generally in Title 61, chapter 3. Permanent registration 61-3-562
Tax Distribution (MCA) – all fees in Title 61 are distributed to the general fund unless stated otherwise (61-3-108)

Applicable Tax Rate(s): Various

Distribution: Most motor vehicle fees are allocated to the general fund. The following fees are distributed to the Motor Vehicle Information Technology Systems state special revenue account: 1) $4 of the $8 recording lien fee (including boats, snowmobiles, and off highway vehicles); 2) $5.00 of the $10.00 certificate of ownership fees for watercraft, snowmobiles, off-highway vehicles and all other vehicles; 3) $5.00 of the $10.00 duplicate certificate of ownership fee; and 4) all of the $10.00 fee for the issuance of a new certificate of title following the release of a lien. Other distributions to other state special revenue accounts (and county general fund) are: 1) $10 of the $30 donation fee for collegiate license plates to the student academic scholarship fund or foundation of the named institution; 2) the annual donation fee of $20 for motorcycle or quadricycles specialty license plates for grants to chronically or critically ill children; 3) $5 of the $15 administrative fee for generic specialty license plates to the county general fund; 4) all of the $15 surcharge for sponsoring a generic patriotic license plate for the construction, maintenance, operation, and administration of state veterans' cemeteries; and 5) with the enactment of SB 285 by the 2005 Legislature, the optional $4 fee for parks is deposited in a state special account rather than the general fund. With the enactment of HB 671 by the 2005 Legislature, revenue from the newly enacted temporary registration fees of $3 and $8 are deposited in a non-budgeted enterprise fund. SB 508 enacted by the 2009 Legislature created an online vehicle insurance verification system funded by new fees, increased existing fees, and earmarking of existing fees.

Distribution Chart:

Based on Actual Fiscal 2008



Summary of Legislative Action:

House Bill 306 – A new, special motorcycle license plate for military personnel, veterans, and spouses is authorized to be designed. A $10 veterans' cemetery fee for each plate is deposited to the general fund and allocated to various state special revenue accounts according to 15-1-122, MCA. General fund revenue increases $10 in FY 2010 and $20 in FY 2011. The legislation is effective January 1, 2010.

Senate Bill 152 – The legislation de-earmarks the entire $18.50 salvage vehicle inspection fee to the general fund. Previously, $5 had been deposited to the general fund and $13.50 to the state special revenue fund. A new $3.00 temporary registration permit allows insurers or their agents to transport a vehicle to auction. State special revenue decreases $140 in FY 2010 and $280 in FY 2011. General fund revenue increases $290 in FY 2010 and $580 in FY 2011. The legislation is effective January 1, 2010.

Senate Bill 508 – An online vehicle insurance verification system is created and funded by a new state special revenue "vehicle insurance verification and license plate operating" account. Revenue to this account is derived from new fees, increased fees, and earmarking of existing fees (see the table below). State special revenue increases $1,725,000 in FY 2010 and $1,450,000 in FY 2011. General fund revenue decreases $1,702,598 in FY 2010 and $2,269,330 in FY 2011.

Senate Bill 508
New and Increased Motor Vehicle Fees

				Distribution		
Fee Type	Old Fee	New Fee	Change	State Special	General Fund	County
Motor home one-time permanent registration	$0.00	$5.00	$5.00	$5.00	$0.00	$0.00
New or re-issued license plates	5.00	10.00	5.00	8.00	2.00	0.00
Option to keep same plate issued between 2006-2009*	0.00	15.00	15.00	15.00	0.00	0.00
Replacement license plate or decal	5.00	10.00	5.00	8.00	2.00	0.00
Replacement license plate with same background	5.00	15.00	10.00	15.00	0.00	0.00
New or re-issue collegiate license plates	5.00	10.00	5.00	8.00	2.00	0.00
Generic specialty license plates administration	15.00	20.00	5.00	10.00	5.00	5.00
Perm. light vehicle registration if keep same plates	0.00	5.00	5.00	5.00	0.00	0.00
Reinstatement of suspended vehicle registration**	0.00	100.00	100.00	0.00	0.00	0.00
Totals	$35.00	$190.00	$155.00	$74.00	$11.00	$5.00

* terminates January 1, 2015
**distribution is unknown

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Motor Vehicle Fee -- Legislation Passed by 61st Legislature Estimated General Fund Impact for Fiscal 2009,2010,2011			
Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0306 Extend certain permanent license plates for motorcycles		10	20
SB0152 Revise motor vehicle registration and driver's license laws		290	580
SB0508 Revise motor vehicle laws		(1,702,598)	(2,269,330)
Total Estimated General Fund Impact	$0	($1,702,298)	($2,268,730)

% of Total General Fund Revenue:

FY 2004 – 2.22%
FY 2005 – 2.00%
FY 2006 – 1.24%
FY 2007 – 1.03%
FY 2008 – 1.07%

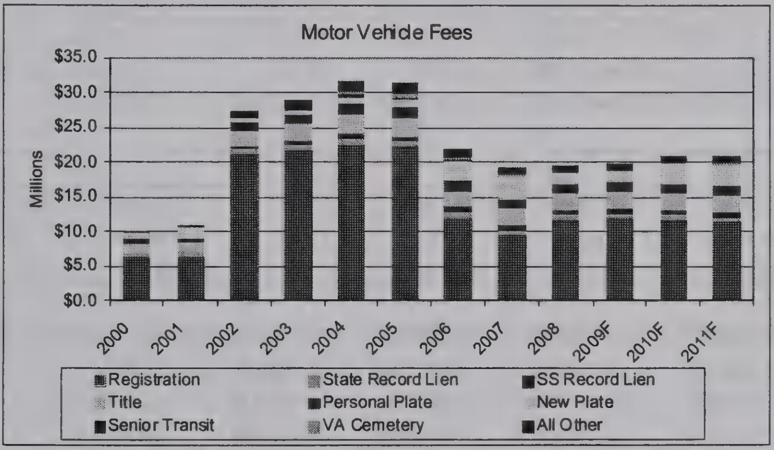
Revenue Estimate Methodology:

Data

The data used to estimate the motor vehicle (MV) fees are obtained from the state accounting system (SABHRS) and Global Insight . No adjustments are required on the raw data in preparation for analysis.

Analysis

MV fees are currently imposed at different rates on eight major categories. Included in the fees assessed on motor vehicles in Montana are registration fees, two types of record liens, title fees, personal and new plate fees, senior transit fees, and veteran's administration fees. The ninth category is made up of other miscellaneous fees assessed on motor vehicles. As shown in the figure below, the collection of motor vehicle fees has been highly variable since fiscal 2000. The figure below also shows the impact of the reduction and subsequent change in classifying vehicle registration fee revenue as vehicle tax revenue in fiscal 2006 and fiscal 2007. This change in the vehicle registration fees is the combined impact of SB 285 and HB 671, both implemented in the 2005 session. However, since registration fee revenues are now recorded as vehicle taxes, the net change to total revenues is zero.



With constant fees, the future change in MV fees results from change in the vehicle stock in Montana. Because fee payments are directly connected to the number of vehicles in the state, estimates for the MV fees are made by applying estimated growth rates to the pervious year revenue. Growth rates for the stock of Montana vehicles are derived by first obtaining Global Insight estimates for the national vehicle stock, new car sales nationwide, and for Montana. A ratio is then developed to project the stock of Montana vehicles. An average of the Montana stock in the current and previous years is used in this estimate from which growth between two years is calculated. The growth rate is applied to the base year (fiscal 2008 less one-time amounts due to HB 737) revenues of each fee category and projected forward at the same rate for all estimated fiscal years. The estimated tax collections of each category are then combined to create the total estimates for the MV fees.

Adjustments

In past years, adjustments to MV fees have been required as a result of legislative actions. House Bill 737 enacted by the 2007

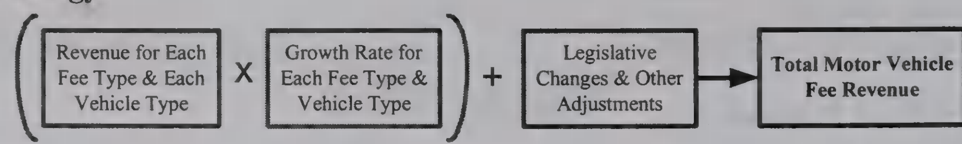
Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Legislature requires that new license plates be issued every four years beginning January 1, 2010. Estimates provided by the Department of Justice add $1.4 million in FY 2010 and $1.6 million in FY 2011. The legislation also required new license plates be issued every four years beginning January 1, 2008. Revenue impacts from this legislation are added to FY 2009.

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Fee Registration Millions	GF Fee Record Millions	GF Fee Titles Millions	GF Fee Personal Millions	GF Fee VA Cemetery Millions
Actual	2000	11.715716	11.715716	6.233271	0.629295	1.292338	0.727670	
Actual	2001	12.548251	12.548251	6.367734	0.635889	1.290092	0.712995	
Actual	2002	27.456893	27.271180	21.180491	0.727958	2.352977	1.269593	
Actual	2003	28.906484	28.352232	21.712218	0.696408	2.441699	1.353633	
Actual	2004	31.602204	30.723879	22.576638	0.737269	2.660438	1.492359	
Actual	2005	31.361863	30.639532	22.230804	0.716784	2.607814	1.508333	
Actual	2006	21.903344	21.195081	12.084778	0.688231	2.368829	1.418129	0.232542
Actual	2007	19.140771	18.401116	9.452480	0.698724	2.495408	1.364480	0.230726
Actual	2008	19.615843	18.994862	11.677087	0.719099	2.463826	1.335999	0.192623
Forecast	2009	19.576000	18.926000	11.677087	0.650139	2.463826	1.335999	0.192623
Forecast	2010	20.313000	19.672000	11.521513	0.641477	2.431000	1.318199	0.190057
Forecast	2011	20.108000	19.481000	11.252509	0.626500	2.374241	1.287422	0.185620

	t Fiscal	GF Fee New Plate Millions	GF Fee Computer Millions	GF Fee $.25 Millions	GF Fee Other Millions	GF Fee Transit Millions	Non GF Fee Lien Millions	Adjustments Millions
Actual	2000	0.856821	1.304458	0.299821	0.372042			
Actual	2001	1.536103	1.335946	0.304236	0.365256			
Actual	2002	0.524575	-0.001199	0.024150	1.083974	0.108661	0.185713	
Actual	2003	0.491723	0.000000	0.000000	1.221468	0.435083	0.554252	
Actual	2004	0.909985	0.000000	0.000000	1.558960	0.394115	0.878325	
Actual	2005	1.191590	0.000000	0.000000	1.468208	0.372536	0.722331	0.000000
Actual	2006	2.865422	0.000000	0.000000	1.334543	0.202607	0.708263	0.000000
Actual	2007	3.102155	0.000000	0.000000	1.057143	0.000000	0.739655	0.000000
Actual	2008	1.492825	0.000000	0.000000	1.113403	0.000000	0.620981	0.000000
Forecast	2009	1.492825	0.000000	0.000000	1.113403	0.000000	0.650139	0.000000
Forecast	2010	2.470992	0.000000	0.000000	1.098569	0.000000	0.641477	0.000000
Forecast	2011	2.682079	0.000000	0.000000	1.072920	0.000000	0.626500	0.000000

	t Fiscal	GF Fee Registration Growth Rate	GF Fee Record Growth Rate	GF Fee Titles Growth Rate	GF Fee Personal Growth Rate	GF Fee New Plate Growth Rate	GF Fee Other Growth Rate	GF Fee VA Cemetery Growth Rate
Actual	2000	3.22%	-0.05%	2.11%	4.87%	84.19%	-8.50%	
Actual	2001	2.16%	1.05%	-0.17%	-2.02%	79.28%	-1.82%	
Actual	2002	232.62%	14.48%	82.39%	78.06%	-65.85%	196.77%	
Actual	2003	2.51%	-4.33%	3.77%	6.62%	-6.26%	12.68%	
Actual	2004	3.98%	5.87%	8.96%	10.25%	85.06%	27.63%	
Actual	2005	-1.53%	-2.78%	-1.98%	1.07%	30.95%	-5.82%	37.89%
Actual	2006	-45.64%	-3.98%	-9.16%	-5.98%	140.47%	-9.10%	-57.21%
Actual	2007	-21.78%	1.52%	5.34%	-3.78%	8.26%	-20.79%	-0.78%
Actual	2008	23.53%	2.92%	-1.27%	-2.09%	-51.88%	5.32%	-16.51%
Forecast	2009	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Forecast	2010	-1.33%	-1.33%	-1.33%	-1.33%	-1.33%	-1.33%	-1.33%
Forecast	2011	-2.33%	-2.33%	-2.33%	-2.33%	-2.33%	-2.33%	-2.33%

	t Fiscal	GF Fee New Plate Growth Rate	GF Fee Computer Growth Rate	GF Fee $0.25 Growth Rate	GF Fee Other Growth Rate	GF Fee Transit Growth Rate	Non GF Fee Lien Growth Rate
Actual	2000	84.19%	2.83%	5.40%	-8.50%		
Actual	2001	79.28%	2.41%	1.47%	-1.82%		
Actual	2002	-65.85%	-100.09%	-92.06%	196.77%		
Actual	2003	-6.26%	-100.00%	-100.00%	12.68%	300.40%	-4.33%
Actual	2004	85.06%			27.63%	-9.42%	5.87%
Actual	2005	30.95%			-5.82%	-5.48%	-2.78%
Actual	2006	140.47%			-9.10%	-45.61%	-3.98%
Actual	2007	8.26%			-20.79%	-100.00%	1.52%
Actual	2008	-51.88%			5.32%		2.92%
Forecast	2009	0.00%			0.00%		0.00%
Forecast	2010	65.52%			-1.33%		-1.33%
Forecast	2011	8.54%			-2.33%		-2.33%

Total Tax = Registration + Record + Titles + Personal + New Plate + VA Cemetery + Other + Transit + Lien
GF Tax = Total Tax - Lien

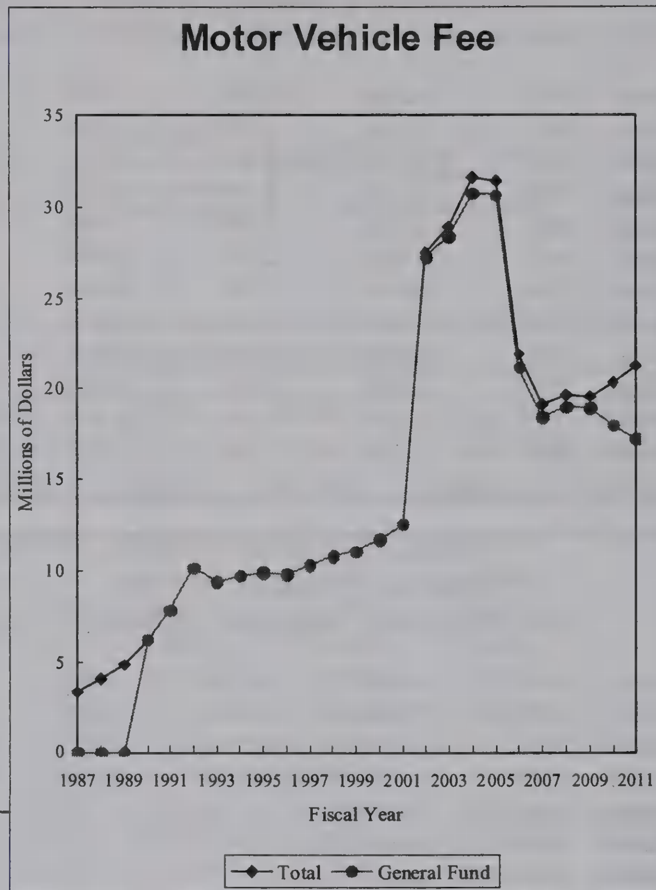
Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	3.332350	0.000000	Not App.
A	1988	4.055326	0.000000	Not App.
A	1989	4.832959	0.000000	Not App.
A	1990	6.207916	6.207916	Not App.
A	1991	7.845076	7.845076	26.37%
A	1992	10.151949	10.151949	29.41%
A	1993	9.381736	9.381736	-7.59%
A	1994	9.720928	9.720928	3.62%
A	1995	9.896182	9.896182	1.80%
A	1996	9.800870	9.800870	-0.96%
A	1997	10.315257	10.315257	5.25%
A	1998	10.778306	10.778306	4.49%
A	1999	11.053035	11.053035	2.55%
A	2000	11.715716	11.715716	6.00%
A	2001	12.548251	12.548251	7.11%
A	2002	27.456893	27.271180	117.33%
A	2003	28.906484	28.352232	3.96%
A	2004	31.602204	30.723879	8.36%
A	2005	31.361863	30.639532	-0.27%
A	2006	21.903344	21.195081	-30.82%
A	2007	19.140771	18.401116	-13.18%
A	2008	19.615843	18.994862	3.23%
F	2009	19.576000	18.926000	-0.36%
F	2010	20.336000	17.970000	-5.05%
F	2011	21.289000	17.212000	-4.22%



Legislative Fiscal Division

Revenue Estimate Profile

Public Contractors Tax

Revenue Description: Contractors or subcontractors submitting a proposal to perform construction work in Montana for the federal government, state government, or any political subdivision, must be licensed as a public contractor. A license is not required in order to bid on contracts in which federal aid is used for highway construction, but a license is required once the bid is awarded.

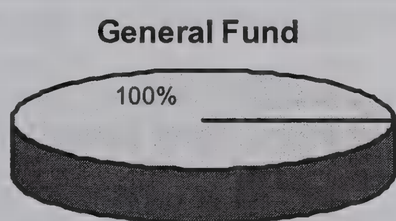
Statutory Reference:

Tax Rate (MCA) – 15-50-205
Tax Distribution MCA) – 15-50-311
Date Due – within 30 days after payment to the contractor (15-50-309)

Applicable Tax Rate(s): A 1.0 percent license fee is applied to the gross receipts of each separate project let by any of the listed public entities. However, a credit (in the form of a refund) against the license fee is allowed for personal property taxes and certain motor vehicle fees paid in Montana on personal property or vehicles used in the business of the contractor. In addition, the amount of the net license fee paid (gross less the property tax refund) may be used as a credit on the contractor's corporate or individual tax return. Overpayments are also refunded.

Distribution: All public contractor tax revenue is deposited into the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

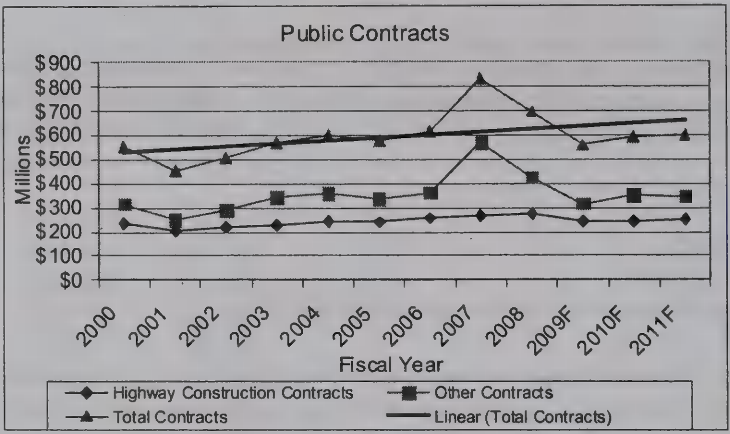
FY 2004 – 0.15%
FY 2005 – 0.09%
FY 2006 – 0.25%
FY 2007 – 0.30%
FY 2008 – 0.26%

Revenue Estimate Methodology:

Data

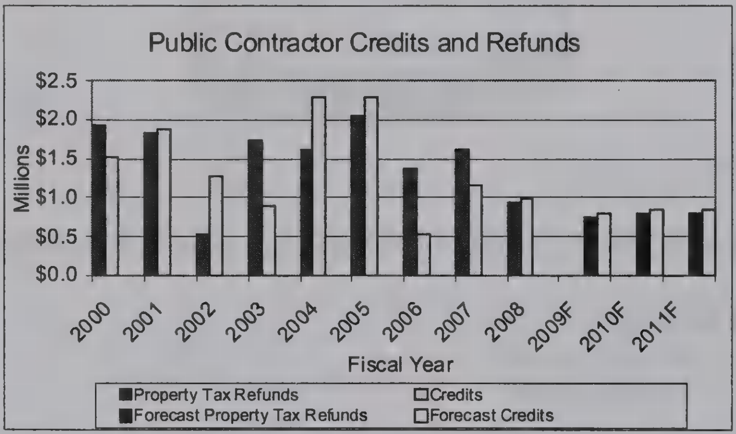
Data for the public contractor's tax are obtained from the state accounting system (SABHRS), the Department of Transportation (DOT), and the Department of Revenue (DOR) and are used to make the public contractors gross receipts tax (PCGRT) estimate. SABHRS data are utilized for total fiscal year tax collections. The DOT provides estimates of highway contracts for future biennia. The DOR provides information on the amounts of credits and refunds paid in each fiscal year.

Several steps are involved in preparing the data for analysis. After collecting the SABHRS total collection data, net tax collections are increased to account for the reductions of refunds and credits, creating a proxy for gross tax collections. From there, the gross tax data must be disaggregated into two contract classifications, highway and all other contracts. This is done by reducing the gross tax by the total amount of highway/road contracts, also obtained through SABHRS. Historically, highway contracts have been responsible for almost 42 percent of the gross tax collections.



The remainder of the gross collections can be credited to other types of contracts. These contracts include forestry, bridge construction, and public building projects. The figure above shows both the aggregated and disaggregated Montana public contract values and a trend line illustrating the slow rate of growth inherent in the aggregated public contracts, approximately 2.1 percent annually.

The DOR provides historical data of refund and credit activity for the analysis. The PCGRT revenue has been highly variable over time. However, the variability is not caused by volatility in the number of contracts but instead by inconsistencies in processing payment of refunds and credits. As apparent in the figure below, the DOR deferred some of the refund and credit processing in fiscal years 2002 and 2003, creating a processing backlog. Consequently, processing for those years was postponed to fiscal years 2004 and 2005, exaggerating the credit and refund amounts.



PCGRT refunds are made up primarily of refund claims against the class 8-business property tax. Changes in the property tax rate, such as in fiscal 2000 when the rate was reduced from 6 percent to 3 percent, affect the amount of refunds. Credits are authorized for both individual income tax and the corporation license tax. The credit series as observed in the figure above is a combination of both individual and corporation credits.

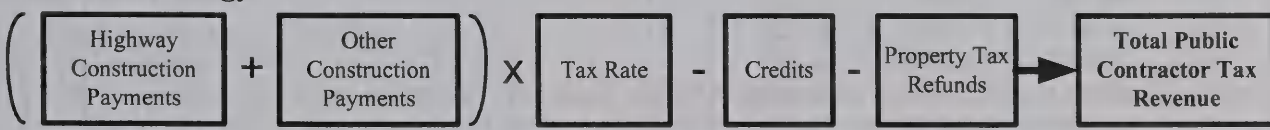
Analysis

Analysis of the PCGRT shows a growth of Montana highway contracts at 3.4 percent annually. However, highway contract growth is highly reliant on federal appropriations for highway construction in the state. Each biennium, the DOT legislative budget shows the amount of contracts that are expected in the upcoming biennium. Highway contracts through the DOT are expected to be $242.1 million, $242.9 million, and $252.0 million in fiscal 2009 through fiscal 2011, respectively. While annual growth for "other" contracts has been approximately 1.0 percent historically, growth in other public contracts is expected to decline, -6.5 percent annually, for the estimated period and is expected to average $338.4 million through the three year period. Next, the annual contract amounts are summed. Finally, the tax rate is applied to the amount of total contracts to determine the gross collections of the PCGRT.

Adjustments

The final step in estimating the PCGRT is to reduce the gross collections by two adjustments, income tax credits and property tax refunds. According to the DOR, the backlog in processing has been eliminated, and net collections should appear more consistent in the future. Consequently, growth of the refund and credit activity should become more stable. Total credits are expected to average \$817,000 each fiscal year from 2009 through 2011. Property tax refunds are estimated by developing a relationship between total business property taxes paid and the contractor refunds. This technique produces estimates of property tax refunds that amount to \$743.356, \$791,711, and \$798,095 for fiscal years 2009 through 2011, respectively.

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

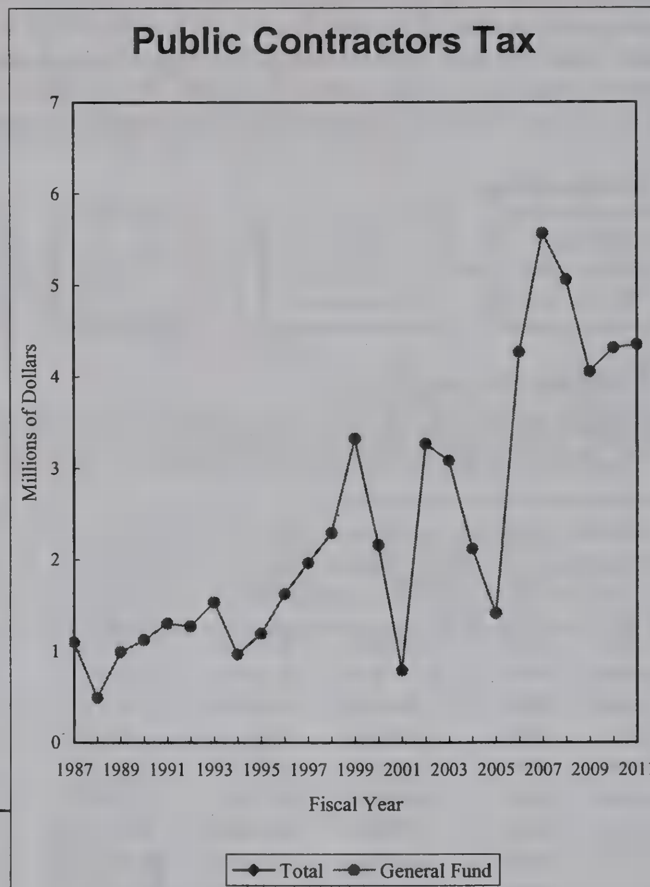
	t Fiscal	Total Tax Millions	GF Tax Millions	Gross Tax Millions	Credits & Refunds Millions	Tax Rate	DOT Contracts Millions	Other Contracts Millions
Actual	2000	2.162223	2.162223	5.516069	3.444985	0.010000	234.875465	316.731435
Actual	2001	0.791615	0.791615	4.502749	3.711134	0.010000	200.507963	249.766937
Actual	2002	3.267321	3.267321	5.054973	1.787652	0.010000	217.749022	287.748278
Actual	2003	3.081553	3.081553	5.706437	2.624885	0.010000	226.113524	344.530176
Actual	2004	2.120485	2.120485	6.004105	3.883620	0.010000	241.630131	358.780369
Actual	2005	1.410831	1.410831	5.752099	4.341269	0.010000	239.291109	335.918791
Actual	2006	4.274649	4.274649	6.157650	1.883218	0.010000	254.388458	361.376542
Actual	2007	5.566958	5.566958	8.335687	2.769423	0.010000	263.661410	569.907290
Actual	2008	5.062659	5.062659	6.964229	1.901570	0.010000	271.911053	424.511847
Forecast	2009	4.058000	4.058000	5.582192	1.524207	0.010000	242.080004	316.139227
Forecast	2010	4.322000	4.322000	5.945307	1.623356	0.010000	242.875429	351.655273
Forecast	2011	4.357000	4.357000	5.993250	1.636446	0.010000	251.975429	347.349580

Total Tax = (DOT Contracts + Other Contracts) * Tax Rate - Credits & Refunds
GF Tax = Total Tax

Public Contractors Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	1.094458	1.094458	Not App.
A	1988	0.488446	0.488446	-55.37%
A	1989	0.987887	0.987887	102.25%
A	1990	1.118458	1.118458	13.22%
A	1991	1.300905	1.300905	16.31%
A	1992	1.270364	1.270364	-2.35%
A	1993	1.530528	1.530528	20.48%
A	1994	0.964193	0.964193	-37.00%
A	1995	1.192445	1.192445	23.67%
A	1996	1.621441	1.621441	35.98%
A	1997	1.963791	1.963791	21.11%
A	1998	2.290944	2.290944	16.66%
A	1999	3.320401	3.320401	44.94%
A	2000	2.162223	2.162223	-34.88%
A	2001	0.791615	0.791615	-63.39%
A	2002	3.267321	3.267321	312.74%
A	2003	3.081553	3.081553	-5.69%
A	2004	2.120485	2.120485	-31.19%
A	2005	1.410831	1.410831	-33.47%
A	2006	4.274649	4.274649	202.99%
A	2007	5.566958	5.566958	30.23%
A	2008	5.062659	5.062659	-9.06%
F	2009	4.058000	4.058000	-19.84%
F	2010	4.322000	4.322000	6.51%
F	2011	4.357000	4.357000	0.81%



Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

Revenue Description: All railroad property is subject to taxation as defined in the federal Railroad Revitalization and Regulatory Reform Act of 1976. The Railroad car tax applies to the rolling stock owned by railroad companies. The railroad car tax rate the average property tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

Statutory Reference:

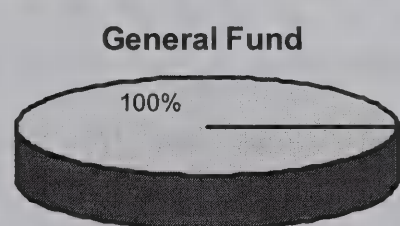
Tax Rate (MCA) - 15-23-214(1)
Tax Distribution (MCA) – 15-23-215
Date Due – Report due to the Department of Revenue April 15th of each year for the previous calendar year (15-23-103(2), 15-23-212). The department calculates the tax due by the third Monday in October (15-23-214(1)). One-half of the tax is due by November 30th and one-half is due by May 31st (15-23-214(3), 15-16-102(1)).

Applicable Tax Rate(s): The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property. This is multiplied by the statewide average mill levy for commercial and industrial property. The most current tax year rates are:

* 2004 – 3.88%
* 2005 – 3.81%
* 2006 – 3.74%
* 2007 – 3.55%
* 2008 – 3.52%

Distribution: All revenue from this tax is deposited into the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.11%
FY 2005 – 0.10%
FY 2006 – 0.10%
FY 2007 – 0.09%
FY 2008 – 0.11%

Revenue Estimate Methodology:

Data

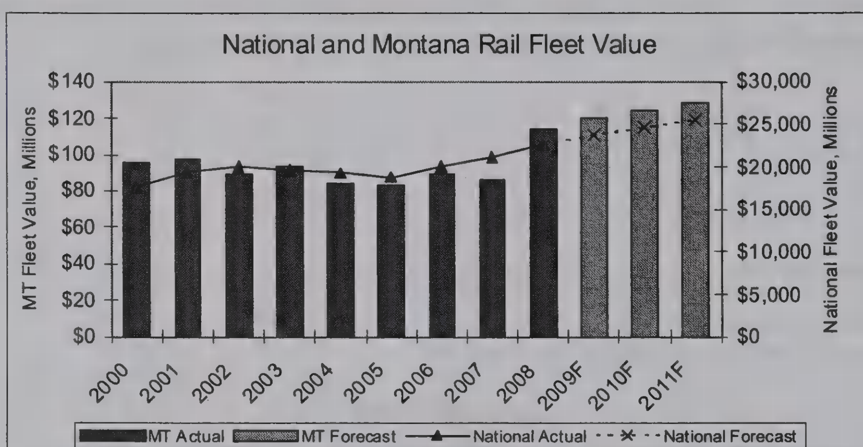
Data from the Department of Revenue (DOR) are used to estimate railcar tax collections. Additionally, SABHRS data are used to check the estimates against the historic values. DOR provides data on the value of national railroad car fleet, Montana's rolling stock, and railroad car tax assessed by company. DOR also provides the historic observations of the average mill levy and applicable tax rate.

Analysis

Although the railcar tax appears quite volatile, most of the volatility is caused by shifts in average mill levies and tax rates, both of which are controlled in large part by factors outside of the growth in rail shipments. Furthermore, a large part of the volatility can be

traced to litigation brought by rail companies and settled in federal legislation. In 1993, some rail companies protested tax rates. Tax payments were reduced for four years. Then, in 1997, the litigation was settled and the companies were required to make both past and current payments. Railroad properties are taxed as class 12 properties. To calculate total railroad car tax collections (class 12 property), the market value of the Montana fleet is multiplied by the average mill levy and tax rate.

The estimate of the railroad car tax is based on the market value of the rail fleet in Montana. Before the market value can be ascertained, some preliminary estimates must be developed. As illustrated in the figure below, the market value of Montana's fleet is based on a relationship with market value of the U.S. fleet. Consequently, an estimate for the value of the national fleet is developed using the average rate of growth in the U.S. fleet value, based on a four-year pattern of growth. That rate is then applied to the last year of actual fleet value available. Next, a measure of the apportionment of Montana fleet value is developed in percent terms. The apportionment is then applied to the estimate for the national fleet market value to determine the Montana railroad fleet market value. Since the mid 1990's, the market value of Montana's rail fleet has been about 0.50 percent of the nation's fleet. However in recent years, Montana's proportion of rail fleet market value has diminished slightly. For the purpose of estimating future railroad car tax collections, the most recent ratio of Montana market fleet value to national fleet value is used, 0.50 percent. This process provides estimates for the market value of Montana rolling stock of approximately $124.3 million in fiscal 2009 through fiscal 2011.



After the Montana market fleet value is determined, the average commercial and industrial mill levy and tax rate must be calculated. The rate of the mill levy is calculated from the average of statewide commercial and industrial mill levies. The average mill levy is expected to increase because counties are able to raise levies at a rate equal to half of the annual rate of inflation. Furthermore, the increasing costs of school budgets will further force the average mill levy to increase. The calculated mill levy estimates are 0.524 percent in fiscal 2009, 0.542 percent in fiscal 2010, and 0.539 percent in fiscal 2011.

The tax rate for the railroad property is created from a weighted average of five property classes: class 4, 7, 8, 9, and 13. Class 4 property tax, which is the residential and commercial property tax, is weighted more heavily than the other classes. The estimated tax rate will be 3.4 percent through the years analyzed.

Finally, the rail car tax estimates are completed by multiplying the Montana market value by the average mills and the tax rate.

Forecast Methodology

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

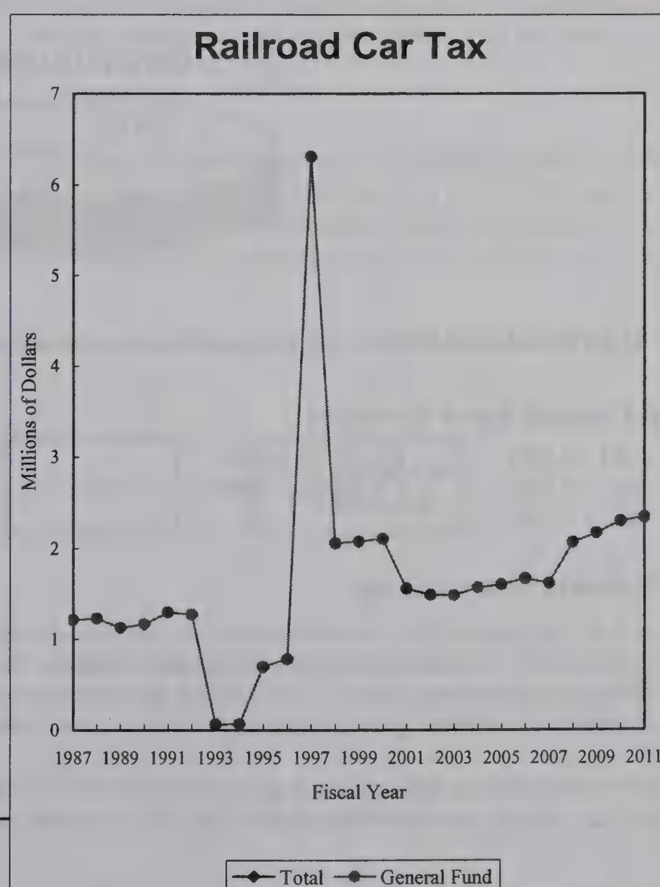
Railroad Car Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Total MV of Fleet Millions	MT Allocation Percent	MT MV of Fleet Millions	Tax Rate	Mills
Actual	2000	2.100600	2.100600	17582.615541	0.005439	95.626964	0.060800	0.363540
Actual	2001	1.555747	1.555747	19335.425780	0.005021	97.074849	0.042700	0.380060
Actual	2002	1.489813	1.489813	20065.083606	0.004468	89.657366	0.042100	0.400980
Actual	2003	1.484264	1.484264	19527.799607	0.004791	93.549116	0.040200	0.419254
Actual	2004	1.567868	1.567868	19231.928074	0.004369	84.019893	0.038800	0.474429
Actual	2005	1.604005	1.604005	18767.654718	0.004404	82.645528	0.038100	0.487040
Actual	2006	1.667441	1.667441	20014.411877	0.004450	89.055569	0.037400	0.509510
Actual	2007	1.614509	1.614509	21120.423358	0.004063	85.817421	0.035500	0.515710
Actual	2008	2.063981	2.063981	22553.069786	0.005048	113.858954	0.035200	0.520320
Forecast	2009	2.166000	2.166000	23772.248659	0.005048	120.002311	0.034400	0.524788
Forecast	2010	2.295000	2.295000	24626.184487	0.005048	124.312979	0.034100	0.541558
Forecast	2011	2.336000	2.336000	25480.120316	0.005048	128.623647	0.033700	0.539179

Total Tax = Total MV of Fleet * MT Allocation * Tax Rate * Mills
GF Tax = Total Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	1.212219	1.212219	Not App.
A	1988	1.229618	1.229618	1.44%
A	1989	1.125739	1.125739	-8.45%
A	1990	1.166312	1.166312	3.60%
A	1991	1.297794	1.297794	11.27%
A	1992	1.272134	1.272134	-1.98%
A	1993	0.059930	0.059930	-95.29%
A	1994	0.066530	0.066530	11.01%
A	1995	0.691978	0.691978	940.10%
A	1996	0.780125	0.780125	12.74%
A	1997	6.308625	6.308625	708.67%
A	1998	2.054244	2.054244	-67.44%
A	1999	2.073619	2.073619	0.94%
A	2000	2.100600	2.100600	1.30%
A	2001	1.555747	1.555747	-25.94%
A	2002	1.489813	1.489813	-4.24%
A	2003	1.484264	1.484264	-0.37%
A	2004	1.567868	1.567868	5.63%
A	2005	1.604005	1.604005	2.30%
A	2006	1.667441	1.667441	3.95%
A	2007	1.614509	1.614509	-3.17%
A	2008	2.063981	2.063981	27.84%
F	2009	2.166000	2.166000	4.94%
F	2010	2.295000	2.295000	5.96%
F	2011	2.336000	2.336000	1.79%



Legislative Fiscal Division

Revenue Estimate Profile

Rental Car Sales Tax

Revenue Description: Beginning July 1, 2003, a new four percent sales tax is imposed on the base rental charge for rental vehicles. The base rental charge includes use charges for time and mileage, insurance, accessory equipment, and charges for additional or underage drivers. It does not include price discounts, charges for operating an airport concession, motor fuel, intercity drop charges, and government taxes. A rental vehicle is one that is used by a person other than the owner by arrangement and for consideration. Included are light vehicles, motorcycles, motor-driven cycles, quadricycles, motorboats and sailboats, and off-highway vehicles. Sales to the U.S. government are exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed. Vendors are allowed to claim and keep five percent of the tax as an allowance, not to exceed $1,000 a quarter.

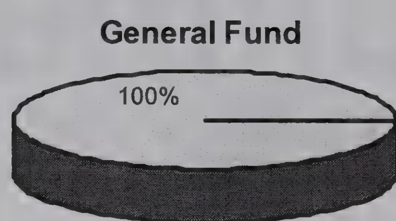
Statutory Reference:

Tax Rate (MCA) - 15-68-102(1b)
Tax Distribution MCA) - 15-68-820
Date Due - before the last day of the month following the calendar quarter (15-68-502(1))

Applicable Tax Rate(s): A four percent sales tax is imposed on the base rental charge for rental vehicles.

Distribution: All revenue from this tax is deposited into the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 - 0.18%
FY 2005 - 0.17%
FY 2006 - 0.16%
FY 2007 - 0.16%
FY 2008 - 0.16%

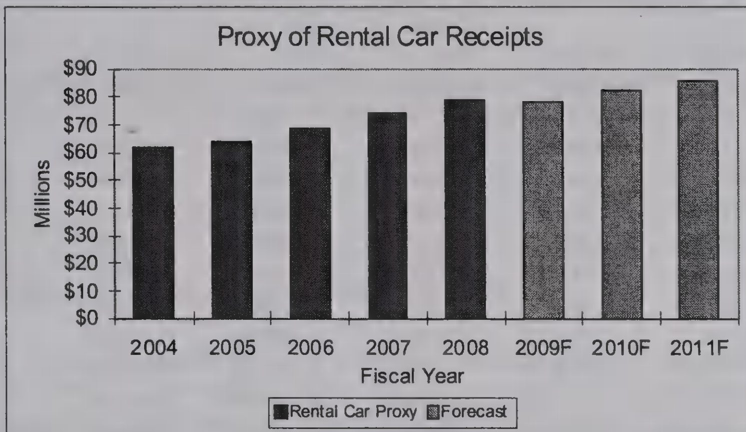
Revenue Estimate Methodology:

Data

The estimate of the rental car sales tax requires data from two sources, the state accounting system (SABHRS) and the Institute for Tourism and Recreation Research (ITRR). The SABHRS data includes the historic tax collection observations and the ITRR data is used as an indicator for the historic growth associated with the tourism industry.

Before analysis can begin on the rental car tax, a proxy value for rental car expenditures must be developed. This calculation is made by dividing historic tax receipts, provided through SABHRS, by the current tax rate.

Legislative Fiscal Division
Revenue Estimate Profile
Rental Car Sales Tax



<u>Analysis</u>
Because the rental car sales tax is a new tax with only five collection observations, neither a trend nor a regression model provides acceptable results for estimating future tax collections. Because there is strong connection between the use of lodging facilities and rental cars, and given the apparent correlation between the taxes, the LFD uses the growth rate of the lodging facilities tax to project future rental car receipts.

The lodging facilities tax is projected with a linear trend model of the proxy of taxable room charges. The statistics of fit show that a linear trend accurately measures the rate of growth in the value of the proxy of taxable lodging receipts in Montana. The model produces an R^2 rating of 0.993. This means that the linear trend explains 99.3 percent of the variability of the taxable lodging receipts, when all other impacts are held constant. *The growth rate is then applied to the most recent base (fiscal 2008) of the proxy of rental car receipts.

<u>Adjustment and Distribution</u>
The final step in development of the rental car sales tax projection is to reduce the projection by credits and audits. Credits may be requested by vendors for tax payments on dollars that are later recognized as bad debt. Additionally, a credit is allowed if a similar tax has been levied and paid in another state on property that was leased outside this state but used in the state. Additionally, the DOR may audit the accounts of vendors who pay the rental car sales tax, and both positive and negative adjustments may be made to the total collections. To date, no credits or audits have occurred.

*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

Forecast Methodology

Total Base Car Rental Charge X Tax Rate → **Total Rental Car Tax Revenue**

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

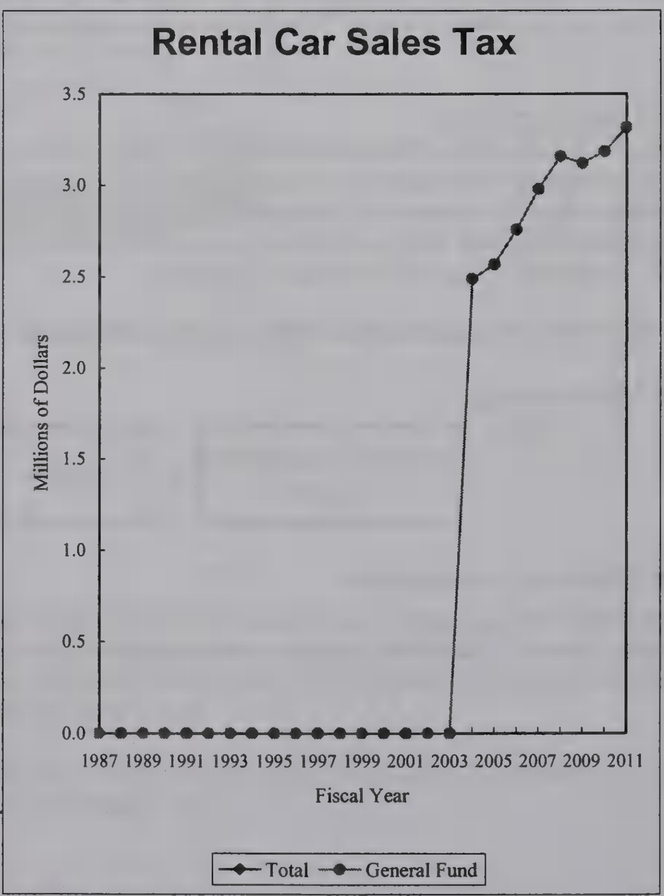
Rental Car Sales Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Taxable Sales Millions	Tax Rate Percent	Credits Millions	Audits Millions
Actual	2000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2003	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2004	2.485989	2.485989	62.149725	0.040000	0.000000	0.000000
Actual	2005	2.565554	2.565554	64.138850	0.040000	0.000000	0.000000
Actual	2006	2.755072	2.755072	68.876800	0.040000	0.000000	0.000000
Actual	2007	2.976235	2.976235	74.405875	0.040000	0.000000	0.000000
Actual	2008	3.157239	3.157239	78.930975	0.040000	0.000000	0.000000
Forecast	2009	3.118000	3.118000	77.962097	0.040000	0.000000	0.000000
Forecast	2010	3.182000	3.182000	79.552056	0.040000	0.000000	0.000000
Forecast	2011	3.313000	3.313000	82.820691	0.040000	0.000000	0.000000

Total Tax = Taxable Sales * Tax Rate - Credits + Audits
GF Tax = Total Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	0.000000	0.000000	Not App.
A	2001	0.000000	0.000000	Not App.
A	2002	0.000000	0.000000	Not App.
A	2003	0.000000	0.000000	Not App.
A	2004	2.485989	2.485989	Not App.
A	2005	2.565554	2.565554	3.20%
A	2006	2.755072	2.755072	7.39%
A	2007	2.976235	2.976235	8.03%
A	2008	3.157239	3.157239	6.08%
F	2009	3.118000	3.118000	-1.24%
F	2010	3.182000	3.182000	2.05%
F	2011	3.313000	3.313000	4.12%



Legislative Fiscal Division

Revenue Estimate Profile

Telecommunications Excise Tax

Revenue Description: The retail telecommunications excise tax is levied on the sales price of retail telecommunications services originating or terminating in the state. It is paid by the retail purchaser and collected by the provider.

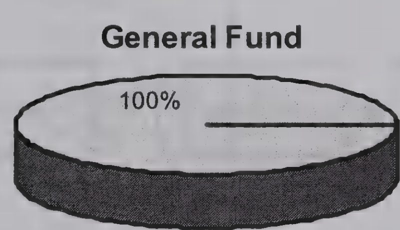
Statutory Reference:

Tax Rate (MCA) – 15-53-130
Tax Distribution (MCA) – 15-53-156
Date Due – 60 days after the end of the calendar quarter (15-53-139)

Applicable Tax Rate(s): The current tax rate of 3.75% is applied to the sales price of retail telecommunications services. Sales price includes payment for services such as distribution, supply, transmission, and delivery, but excludes federal taxes, relocation of service, equipment repair, prepaid calling cards, and other items. Gross receipts from the provision of internet services are also exempt. Credits previously allowed for costs of advanced telecommunications infrastructure improvements were repealed in House Bill 96 by the 2003 legislature.

Distribution: After retaining an allowance for refunds, all proceeds are deposited into the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 - 1.51%
FY 2005 - 1.38%
FY 2006 - 1.24%
FY 2007 - 1.14%
FY 2008 - 1.15%

Revenue Estimate Methodology:

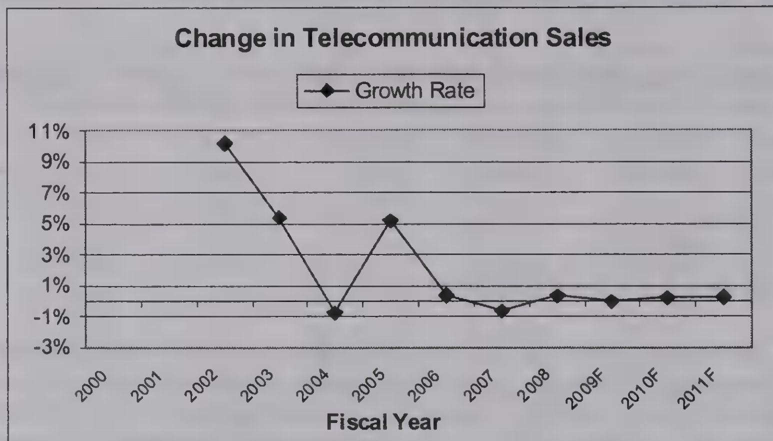
Data

Data from quarterly reports produced by DOR provide a history of retail telecommunications sales for each individual company. CPI data is obtained from Global Insight.

Analysis

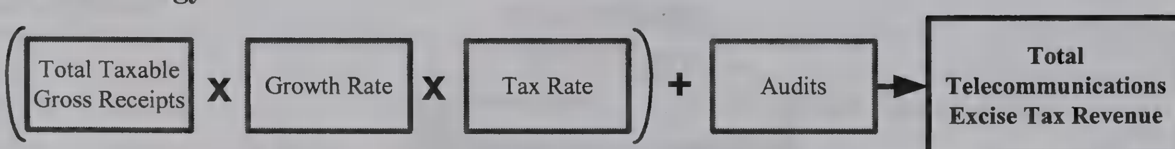
The total retail telecommunication sales are reported by the DOR. The ratio of the growth rate in sales from the previous fiscal year to the CPI rate as report by Global Insight for that year is multiplied by the CPI rate for the current year. The resulting growth rate is applied to the sales of the previous year. Yearly estimated taxable sales are multiplied by the tax rate to derive gross tax revenue from this source.

Legislative Fiscal Division
Revenue Estimate Profile
Telecommunications Excise Tax



<u>Adjustments and Distribution</u>
Once gross tax revenue for each fiscal year is determined, the value is adjusted by audits. In the 2001 biennium, audits are expected to total $1.65 million and the revenue will appear in each of the years of analysis. Next, the applicable distribution percentage, 100 percent to the general fund, is applied.

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

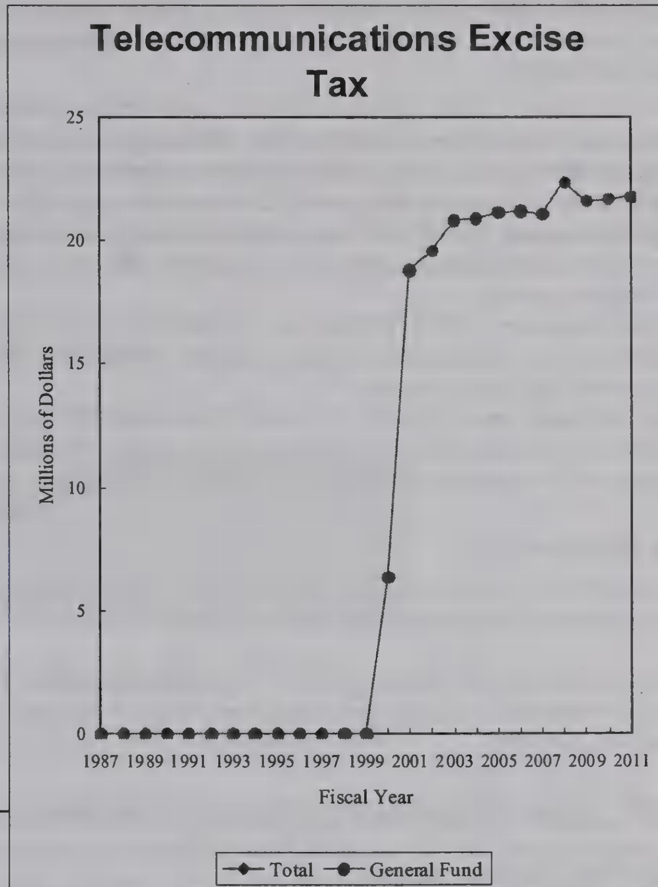
	t Fiscal	Total Tax Millions	GF Tax Millions	Taxable Sales Millions	Tax Rate Percent	Credits Millions	Audits Millions
Actual	2000	6.366299	6.366299	182.127040	0.037500	0.000000	0.000000
Actual	2001	18.838200	18.838200	465.259867	0.037500	0.429045	1.820000
Actual	2002	19.593501	19.593501	512.754187	0.037500	0.252198	0.617417
Actual	2003	20.804524	20.804524	540.397200	0.037500	0.004069	0.543698
Actual	2004	20.890335	20.890335	536.138960	0.037500	0.052757	0.837881
Actual	2005	21.144420	21.144420	563.779627	0.037500	0.000000	0.002684
Actual	2006	21.208947	21.208947	565.571920	0.037500	0.000000	0.000000
Actual	2007	21.065843	21.065843	561.755813	0.037500	0.000000	0.000000
Actual	2008	22.350323	22.350323	563.407947	0.037500	0.000000	1.222525
Forecast	2009	21.597000	21.597000	562.600020	0.037500	0.000000	0.500000
Forecast	2010	21.676000	21.676000	563.257699	0.037500	0.000000	0.550000
Forecast	2011	21.762000	21.762000	564.291277	0.037500	0.000000	0.600000

Total Tax = Taxable Sales * Tax Rate - Credits + Audits
GF Tax = Total Tax

Telecommunications Excise Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	6.366299	6.366299	Not App.
A	2001	18.838200	18.838200	195.91%
A	2002	19.593501	19.593501	4.01%
A	2003	20.804524	20.804524	6.18%
A	2004	20.890335	20.890335	0.41%
A	2005	21.144420	21.144420	1.22%
A	2006	21.208947	21.208947	0.31%
A	2007	21.065843	21.065843	-0.67%
A	2008	22.350323	22.350323	6.10%
F	2009	21.597000	21.597000	-3.37%
F	2010	21.672000	21.672000	0.35%
F	2011	21.761000	21.761000	0.41%



Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Revenue Description: Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, truck tractors having a manufacturer's rated capacity of more than 1 ton, motor homes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight.

Before January 1, 2001 light vehicles were taxed on an ad valorem basis. As a result of Referendum (LR) 115 (HB540), passed by the electorate in November 2000, light vehicles pay a fee-in-lieu of tax (FILT). The fee is $195 for light vehicles of age between zero and four years, $65 for vehicles between five and ten years of age, and $6 for vehicles over ten years old. Owners of vehicles greater than ten years old may pay $87.50 (plus other applicable fees) for a permanent registration.

Effective January 1, 2003, the fee schedule on heavy trucks is reduced by 1/6th for calendar 2003, by 1/3rd for calendar 2004 and by ½ for calendar 2005. These changes were enacted by HB 247 in the 2003 legislative session. The fee schedule for truck varies by age and weight capacity.

Effective January 1, 2004, the fees-in-lieu-of-tax on motorcycles and quadricycles, trailers and travel trailers, snowmobiles, watercraft, off-highway vehicles are one-time payments, except upon change of ownership. These one-time fees in calendar 2004 doubled in calendar 2005 and thereafter.

Due to changes enacted by HB 671 and SB 285 in the 2005 Legislature, registration fee revenue reported by counties on the county collection report are now being recorded as vehicle taxes. Therefore, revenue shown for this source shows a large increase in FY 2006 from FY 2005, but revenue decreases by a like amount in the "Motor Vehicle Fee" revenue source.

Statutory Reference:

Tax Rate (MCA) – watercraft one-time (23-2-516), snowmobiles one-time (23-2-626), OHV one-time (23-2-803), vehicle registrations (61-3-321), vehicles greater than 1 ton (61-3-529)

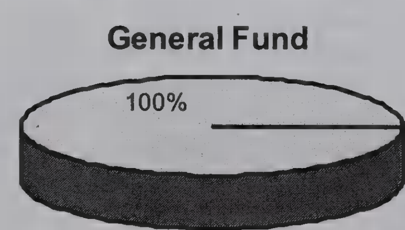
Tax Distribution (MCA) – watercraft (23-2-518), snowmobiles (23-2-619(7)), OHV (23-2-803), vehicle registrations (61-3-321(16)), motorcycles and quadricycles registrations (61-3-509), motor homes registrations (61-3-509), vehicles greater than 1 ton registrations (61-3-509)

Date Due – County treasurers remit the revenue to the Department of Revenue every 30 days (15-1-504 & 61-3-509).

Applicable Tax Rate(s): Varies

Distribution: All fees-in-lieu-of-tax are deposited in the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 6.05%
FY 2005 – 5.23%
FY 2006 – 5.39%
FY 2007 – 5.51%
FY 2008 – 5.26%

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

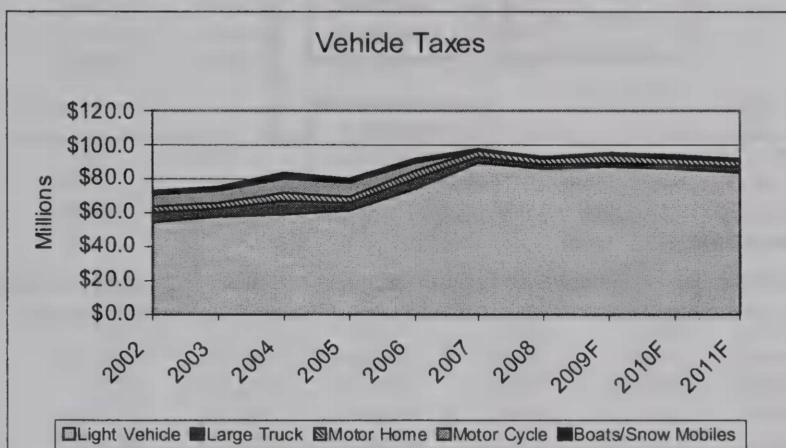
Revenue Estimate Methodology:

Data

The data used to estimate the motor vehicle tax are obtained from the state accounting system (SABHRS) and Global Insight (both national and state projections). No adjustments are required on the raw data in preparation for analysis.

Analysis

Vehicle taxes are currently imposed at different rates on five categories of vehicles (tax schedule varies by age and weight) including light vehicles, large trucks, motor homes, motor cycles (including tri-cycles), and boats and snowmobiles. As shown in the figure below, the taxes have increased at a slow rate since fiscal 2002. The figure below also shows greater rate of growth for light vehicle taxes in fiscal 2006 and fiscal 2007. This growth results from the legislative impacts of SB 285 and HB 671, both implemented in the 2005 session. In fiscal 2008, vehicle taxes began to show a decline, which is expected to continue through fiscal 2010.



With constant tax rates, the future change in vehicle tax revenue results from change in the vehicle stock in Montana. Because tax payments are directly connected to the number of vehicles in the state, estimates for the revenues are made by applying estimated growth rates to the pervious year revenue. Growth rates for the stock of Montana vehicles are derived by first obtaining Global Insight estimates for the national vehicle stock and new car sales nationwide and for Montana. A ratio is then developed to project the stock of Montana vehicles. An average of the Montana stock in the current and previous years is used in this estimate from which growth between two years is calculated. For the estimated period, growth is expected to increase in FY 2009, but decline in the following years. The growth rate is applied to the base year (fiscal 2008) revenues of each tax category and projected forward at the same rate for all estimated fiscal years. The estimated tax collections of each category are then combined to create the total estimates for vehicle tax revenue.

Adjustments

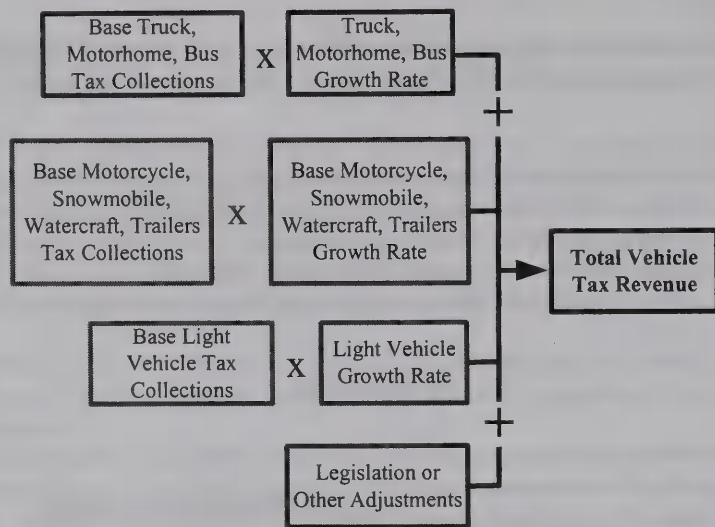
In past years, adjustments to vehicle taxes have been required as a result of legislative actions. For these estimates, no adjustments are required.

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Non-GF Tax Millions	Legislation Millions
Actual	2000				
Actual	2001				
Actual	2002	73.091930	73.127444	-0.035514	
Actual	2003	75.185832	75.185331	0.000501	
Actual	2004	83.606576	83.606576	0.000000	
Actual	2005	80.132416	80.132416	0.000000	0.000000
Actual	2006	92.097303	92.097303	0.000000	0.000000
Actual	2007	98.070390	98.070390	0.000000	0.000000
Actual	2008	93.493069	93.493069	0.000000	0.000000
Forecast	2009	93.493000	93.493000	0.000000	0.000000
Forecast	2010	92.247000	92.247000	0.000000	0.000000
Forecast	2011	90.093000	90.093000	0.000000	0.000000

	t Fiscal	Large Truck Millions	Motor Home Millions	Light Vehicle Millions	Boats/ Snow Millions	MCO Registration Millions	District Courts Millions
Actual	2000						
Actual	2001						
Actual	2002	5.383664	3.607418	54.602101	2.075694	7.458568	-0.035514
Actual	2003	5.116869	3.342342	56.961345	2.195942	7.568832	0.000000
Actual	2004	8.562457	4.484770	58.457160	3.980061	8.122128	0.000000
Actual	2005	4.433347	3.834690	60.940073	2.369148	8.555157	0.000000
Actual	2006	5.576714	5.235701	73.979874	2.325379	4.979634	0.000000
Actual	2007	3.024446	3.999998	89.574793	1.470374	0.000780	0.000000
Actual	2008	2.778853	3.742792	85.624489	1.346935	0.000000	0.000000
Forecast	2009	2.778853	3.742792	85.624489	1.346935	0.000000	0.000000
Forecast	2010	2.741830	3.692927	84.483714	1.328990	0.000000	0.000000
Forecast	2011	2.677814	3.606705	82.511188	1.297961	0.000000	0.000000

	t Fiscal	Large Truck Rate	Motor Home Rate	Light Vehicle Rate	Boats/ Snow Rate	MCO Registration Rate
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003	0.028648	-0.049556	-0.073481	0.043208	0.057931
Actual	2004	0.111999	0.673378	0.341805	0.026260	0.812462
Actual	2005	-0.041554	-0.482234	-0.144953	0.042474	-0.404746
Actual	2006	0.149314	0.257902	0.365352	0.213977	-0.018475
Actual	2007	0.064856	-0.457665	-0.236015	0.210799	-0.367684
Actual	2008	-0.046674	-0.081203	-0.064302	-0.044101	-0.083951
Forecast	2009	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2010	-0.013323	-0.013323	-0.013323	-0.013323	-0.013323
Forecast	2011	-0.023348	-0.023348	-0.023348	-0.023348	-0.023348

Total Tax = Large Trucks + Motor Home + Light Vehicle + Boats/Snow + MCO Registration
GF Tax = Total Tax

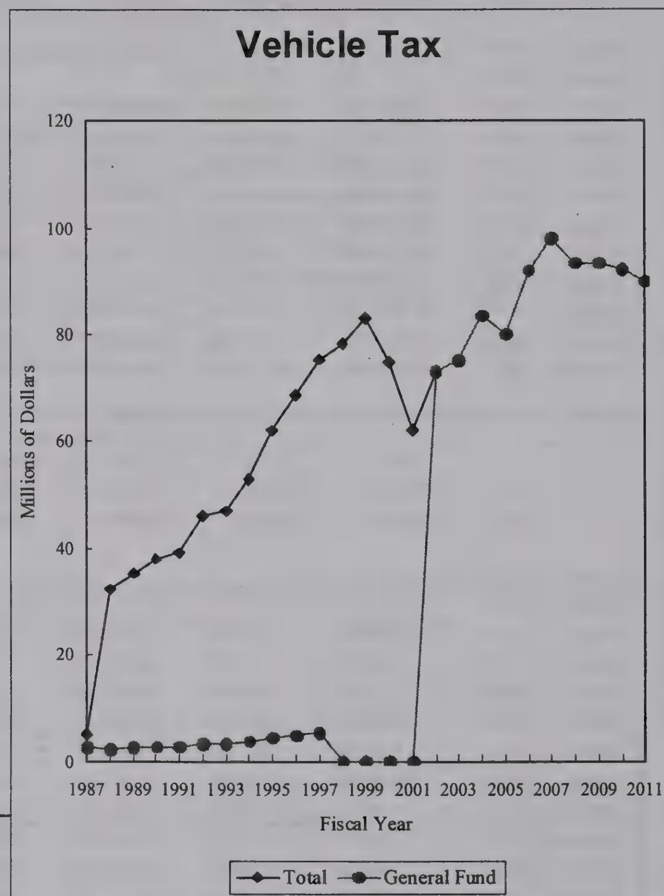
Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

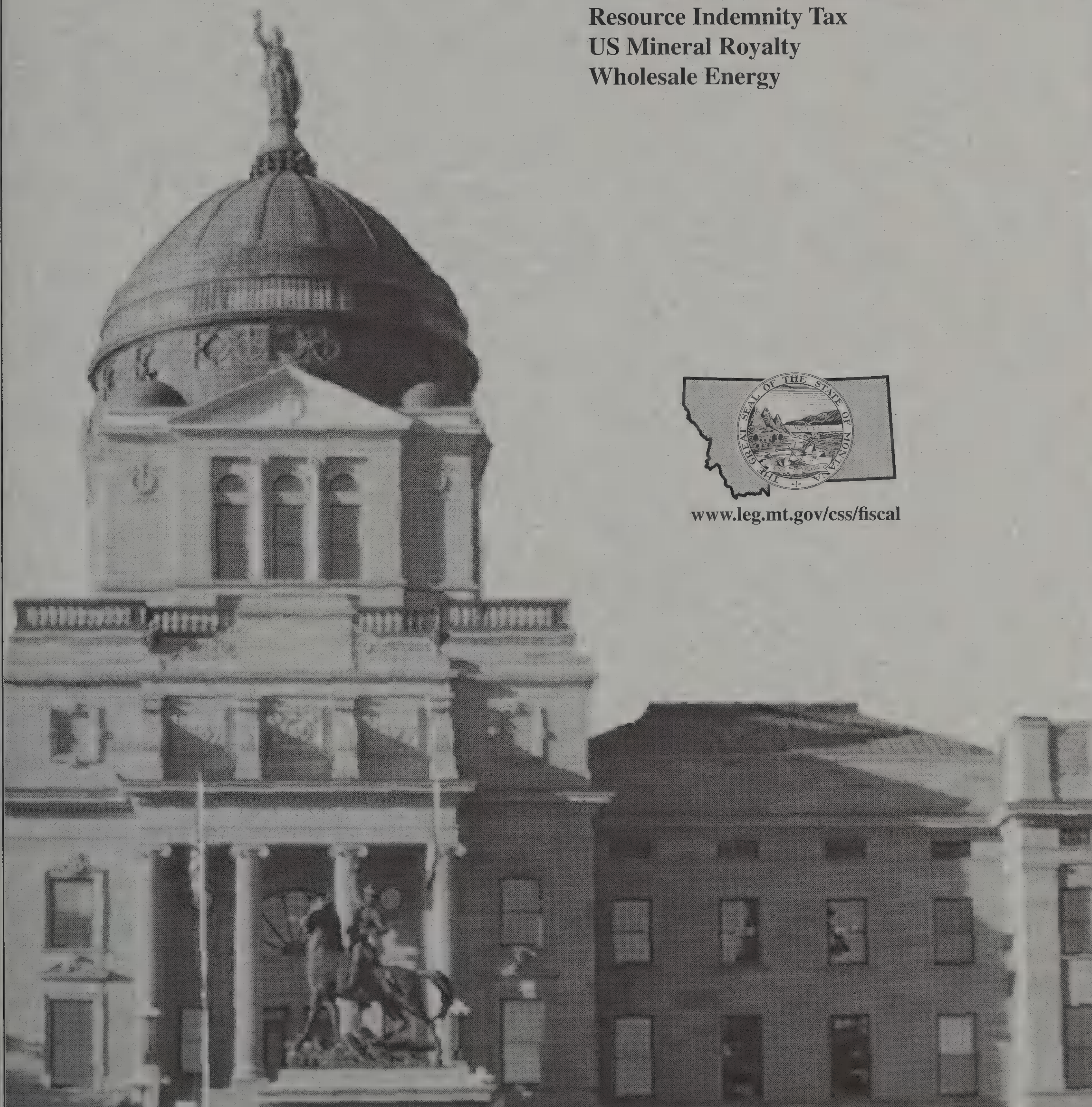
Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	4.880792	2.608426	Not App.
A	1988	32.216414	2.255149	-13.54%
A	1989	35.306743	2.471472	9.59%
A	1990	38.024086	2.661686	7.70%
A	1991	39.102029	2.737142	2.83%
A	1992	46.095786	3.226705	17.89%
A	1993	46.976700	3.288369	1.91%
A	1994	52.908729	3.703611	12.63%
A	1995	62.029200	4.342044	17.24%
A	1996	68.641271	4.804889	10.66%
A	1997	75.330243	5.273117	9.74%
A	1998	78.210343	0.000000	-100.00%
A	1999	83.005171	0.000000	Not App.
A	2000	74.950871	0.000000	Not App.
A	2001	62.172220	0.000000	Not App.
A	2002	73.091930	73.127444	Not App.
A	2003	75.185832	75.185331	2.81%
A	2004	83.606576	83.606576	11.20%
A	2005	80.132416	80.132416	-4.16%
A	2006	92.097303	92.097303	14.93%
A	2007	98.070390	98.070390	6.49%
A	2008	93.493069	93.493069	-4.67%
F	2009	93.493000	93.493000	0.00%
F	2010	92.247000	92.247000	-1.33%
F	2011	90.093000	90.093000	-2.34%



Natural Resource Taxes

- Coal Severance Tax
- Electrical Energy Tax
- Federal Forest Receipts
- Metalliferous Mines Tax
- Oil & Natural Gas Production Tax
- Resource Indemnity Tax
- US Mineral Royalty
- Wholesale Energy



www.leg.mt.gov/css/fiscal

Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Revenue Description: For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax.

Statutory Reference:

Tax Rate (MCA) – 15-35-103
Tax Distribution (MCA) – Montana Constitution, Article IX, Section 5; 15-35-108
Date Due – the report to the Department of Revenue and tax is due 30 days following the close of the quarter (15-35-104)

Applicable Tax Rate(s):

10.0% - on the value of surfaced mined coal with a heating quality < 7,000 BTU
15.0% - on the value surfaced mined coal with a heating quality ≥ 7,000 BTU
3.0% - on the value underground mined coal with a heating quality < 7,000 BTU
4.0% - on the value underground mined coal with a heating quality ≥ 7,000 BTU
3.75% - on the value of auger mined coal with a heating quality < 7,000 BTU
5.0 % - on the value of auger mined coal with a heating quality ≥ 7,000 BTU

Distribution: (Percentage)

Account Name	Fiscal 1998 - 1999	Fiscal 2000 - 2002	Fiscal 2003	Fiscal 2004 - 2005	Fiscal 2006 - 2007	Fiscal 2008 - 2013*	
Permanent Trust	25.000	0.000	0.000	12.500	0.000	0.000	50
Treasure State Endowment	25.000	37.500	37.500	25.000	25.000	25.000	
TSEP Regional Water	0.000	12.500	12.500	12.500	12.500	12.500	
Big Sky Economic Development	0.000	0.000	0.000	0.000	12.500	12.500	
LRBP-Cash Account	12.000	12.000	10.000	12.000	12.000	12.000	
Coal Natural Resource *	0.000	0.000	0.000	0.000	2.900	5.80*	
Shared Account * *	8.360	8.360	6.010	7.750	5.460	5.460	
Park Acquisition Trust	1.270	1.270	0.000	1.270	1.270	1.270	
Water Development	0.950	0.950	0.950	0.950	0.950	0.950	
Cultural Trust	0.000	0.630	0.000	0.630	0.630	0.630	
Coal & Uranium	0.000	0.000	0.000	0.000	0.000	$250,000	
LRBP-Debt Service	1.300	0.000	0.000	0.000	0.000	0.000	
Cultural & Aesthetic Projects	0.870	0.000	0.000	0.000	0.000	0.000	
General Fund	25.250	26.790	33.040	27.400	26.790	Remainder	

* Allocation reduced to 2.90% after September 30, 2013

** Used for Growth Through Agriculture, State Library, Conservation Districts, Coal Board (before FY 2006), and County Land Planning (before FY 2004)

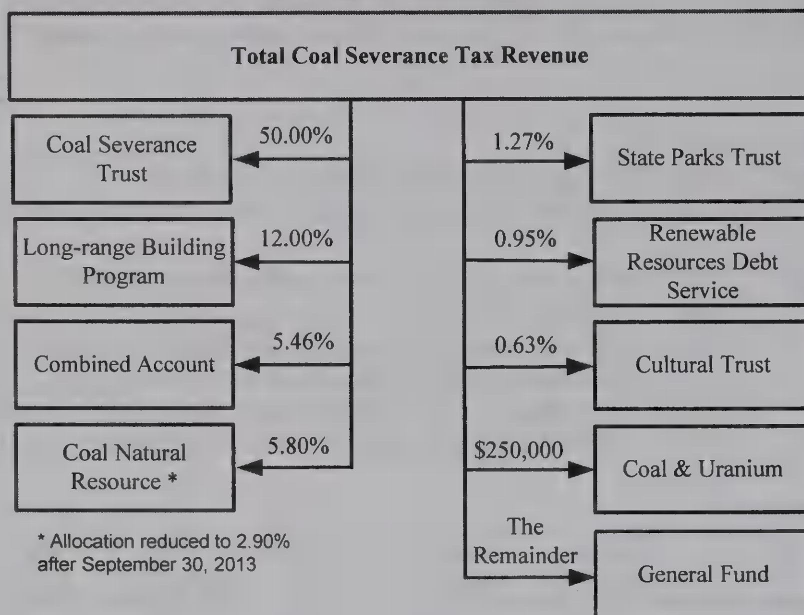
Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Distribution Chart:

Fiscal 2008 – September 30, 2013



Summary of Legislative Action:

Senate Bill 100 – The legislation increases the percentage allocation of coal severance tax revenue to the coal natural resource account from 2.9 percent to 5.8 percent. General fund revenue decreases $1,339,784 in FY 2010 and $1,399,859 in FY 2011. The legislation is effective July 1, 2009 and terminates September 30, 2013.

Senate Bill 292 – New coal severance tax rates of 3.75 percent for a pound of coal under 7,000 BTUs per pound and 5.0 percent for a pound of coal 7,000 BTUs or greater are imposed on coal produced by auger mining that would otherwise be uneconomical to recover by conventional strip-mining methods. There are no fiscal impacts in the 2011 biennium. The legislation is effective July 1, 2009.

Senate Bill 509 – In addition to affecting coal severance tax revenue, this legislation also affects property tax revenue. The revenue effects and details of the latter are shown in the "Property Tax" revenue source section. The definition of "contract sales price" is changed to exclude costs of "coal washing" or the removing of impurities from coal mined underground. The definition of "market value f.o.b mine" is changed to mean the value of coal being prepared for shipment on the mode of transportation taken to its final destination. There are no fiscal impacts in the 2011 biennium. The legislation is effective on passage and approval. The change in the definition of "contract sales price" terminates July 1, 2017.

Coal Severance Tax -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
SB0100 Increase coal board funding		(1,336,784)	(1,399,859)
SB0292 Revise coal severance tax			
SB0509 Revise contract sales price of underground mined coal			
Total Estimated General Fund Impact	$0	($1,336,784)	($1,399,859)

% of Total General Fund Revenue:

FY 2004 - 0.63%
FY 2005 - 0.67%
FY 2006 - 0.56%
FY 2007 - 0.59%
FY 2008 - 0.61%

Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Revenue Estimate Methodology:

The coal severance tax is applied to the value of coal produced. The coal severance tax estimate is developed by estimating the annual contract sales price and production for each producing coal company and any company anticipated to be producing within the 3-year period in question. From these estimates, taxable value can be determined to which is applied the tax rate. Since all production and price information is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

<u>Data</u>

Major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. Data from quarterly reports produced by DOR provide a history of production and prices for individual coal companies. These companies are:

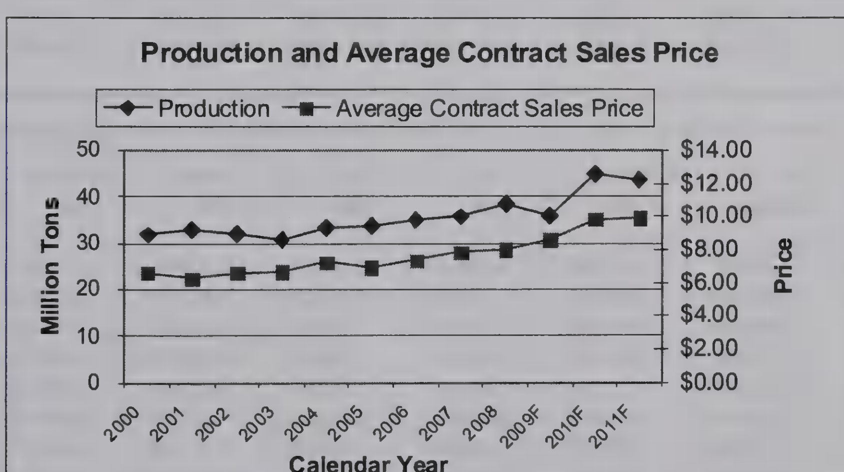
Decker Coal Company
Spring Creek Coal Company
Western Energy Company
Westmoreland Savage Corporation
Signal Peak (Bull Mountain)

<u>Analysis</u>

The taxable value of coal is determined in a three-step process:

1. The future coal production for each company, as reported on the survey, is reduced by the exempt amount of 20,000 tons to get taxable tons.
2. To determine the future price for each company's coal, the company's average contract sales price for the last year increased by 2.0 percent. The average contract sales price for all companies is shown in the figure below.
3. The estimated production and price for each company are multiplied together and the product for all companies summed to obtain the total taxable value.

The taxable value is multiplied by the applicable tax rate (4, 10 or 15 percent) to determine total coal severance tax revenue. At this point the total represents estimates for <u>calendar</u> years. To convert the estimates to a <u>fiscal</u> year basis, half the previous calendar year's estimate is added to the half of the current calendar year's estimate.

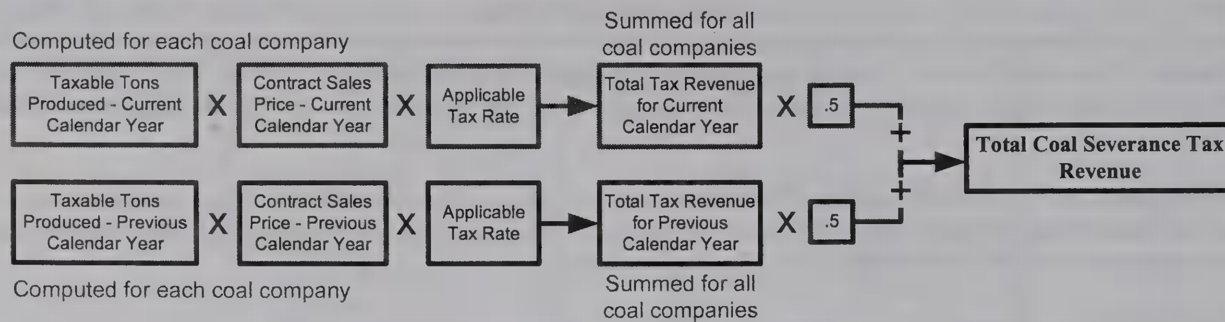


<u>Adjustments and Distribution</u>

Once total tax revenue for each fiscal year is determined, the applicable distribution percentages are applied.

Legislative Fiscal Division
Revenue Estimate Profile
Coal Severance Tax

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Allocation Percent	Tons (FY) Millions	CSP (FY) Dollars	Fiscal Effective Rate	Coal/ Uranium Millions
Actual	2000	35.469791	9.502357	0.267900	33.592584	6.748571	0.156460	
Actual	2001	32.337172	8.663128	0.267900	32.318260	6.230669	0.160590	
Actual	2002	31.614047	8.469404	0.267900	33.148533	6.379990	0.149484	
Actual	2003	29.423547	9.721540	0.330400	30.245710	6.486913	0.149966	
Actual	2004	31.544681	8.643243	0.274000	31.834417	7.218346	0.137275	
Actual	2005	37.634511	10.311856	0.274000	34.191373	6.993260	0.157395	
Actual	2006	35.821524	9.596586	0.267900	34.107005	7.005267	0.149926	
Actual	2007	40.758738	10.919266	0.267900	34.611396	7.551943	0.155935	0.000000
Actual	2008	45.331871	11.894408	0.262385	37.404304	8.133265	0.143215	0.250000
Forecast	2009	44.264000	12.410000	0.267900	37.054500	8.281584	0.144242	0.250000
Forecast	2010	46.096000	12.183000	0.267900	40.197500	9.283742	0.123519	0.250000
Forecast	2011	48.271000	12.959000	0.267900	44.036500	9.883076	0.110910	0.250000

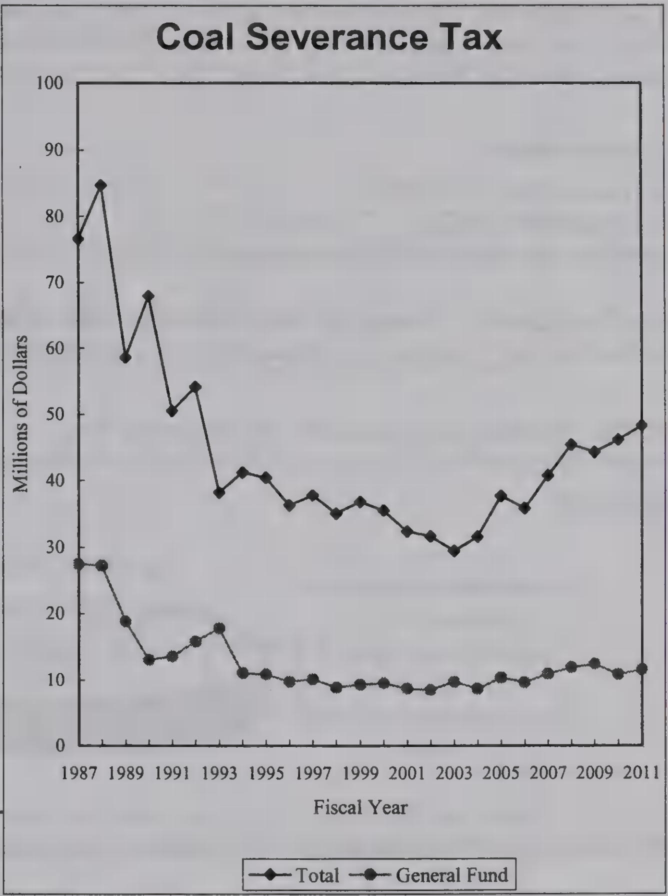
	t Cal	Tons (CY) Millions	CSP (CY) Dollars	Tax Rate	Tax Rate	Calendar Tax	Calendar Effective Rate
Actual	2000	31.784308	6.588243	0.150000	0.100000	31.253448	0.149250
Actual	2001	32.961265	6.266994	0.150000	0.100000	30.883924	0.149510
Actual	2002	31.980880	6.583257	0.150000	0.100000	31.441574	0.149339
Actual	2003	30.802151	6.680719	0.150000	0.100000	30.701209	0.149194
Actual	2004	33.365039	7.233763	0.150000	0.100000	36.030034	0.149282
Actual	2005	33.632110	6.888637	0.150000	0.100000	34.552929	0.149141
Actual	2006	34.903622	7.339225	0.150000	0.100000	37.918860	0.148025
Actual	2007	35.638107	7.832836	0.150000	0.100000	41.532547	0.148784
Actual	2008	38.412500	7.998869	0.150000	0.100000	45.605192	0.148427
Forecast	2009	35.696500	8.585809	0.150000	0.100000	42.921888	0.140046
Forecast	2010	44.698500	9.841116	0.150000	0.100000	49.268188	0.112003
Forecast	2011	43.374500	9.926318	0.150000	0.100000	47.271281	0.109793

Total Tax = Tons(FY) * CSP(FY) * Fiscal Effective

GF Tax = (Tons(FY) * CSP(FY) * Fiscal Effective - Coal/Uranium) * GF Allocation

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	76.546602	27.394944	Not App.
A	1988	84.638333	27.177382	-0.007900
A	1989	58.565583	18.805414	-0.308000
A	1990	67.870544	13.024366	-0.307400
A	1991	50.457848	13.517663	0.037900
A	1992	54.114107	15.778084	0.167200
A	1993	38.181298	17.744422	0.124600
A	1994	41.200704	11.046468	-0.377500
A	1995	40.416416	10.827741	-0.019800
A	1996	36.260949	9.714308	-0.102800
A	1997	37.740212	10.110603	0.040800
A	1998	35.045243	8.848924	-0.124800
A	1999	36.767488	9.283791	0.049100
A	2000	35.469791	9.502357	0.023500
A	2001	32.337172	8.663128	-0.088300
A	2002	31.614047	8.469404	-0.022400
A	2003	29.423547	9.721540	0.147800
A	2004	31.544681	8.643243	-0.110900
A	2005	37.634511	10.311856	0.193100
A	2006	35.821524	9.596586	-0.069400
A	2007	40.758738	10.919266	0.137800
A	2008	45.331871	11.894408	0.089300
F	2009	44.264000	12.410000	0.043300
F	2010	46.096000	10.846000	-0.126000
F	2011	48.271000	11.559000	0.065700



Legislative Fiscal Division
Revenue Estimate Profile
Electrical Energy Tax

Revenue Description: The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax enacted by the 1999 legislature (HB 174).

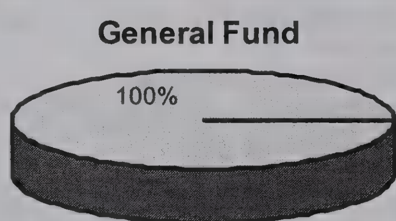
Statutory Reference:

Tax Rate MCA) – 15-51-101
Tax Distribution (MCA) – 17-2-124(2), 15-51-103
Date Due – 30 days after the calendar quarter (15-51-101, 15-51-102)

Applicable Tax Rate(s): The tax of $0.0002 per kilowatt-hour (or $0.20 per megawatt-hour) is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy.

Distribution: All proceeds are deposited into the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.34%
FY 2005 – 0.27%
FY 2006 – 0.27%
FY 2007 – 0.25%
FY 2008 – 0.26%

Revenue Estimate Methodology:

The electrical energy tax is applied to the number of kilowatt hours of electricity produced. The estimate for the tax revenue is derived by estimating the annual taxable kilowatt hours produced by each company and any company anticipated to be producing within the 3-year period in question. From these production estimates, the tax rate is applied.

Data

All electrical energy producing companies are surveyed for anticipated kilowatt hours produced, anticipated new production, and anticipated downtime or reduced production. Results of the survey were incomplete and were not used in the estimate. Data from quarterly reports produced by DOR provide a history of kilowatt hours produced for each individual company.

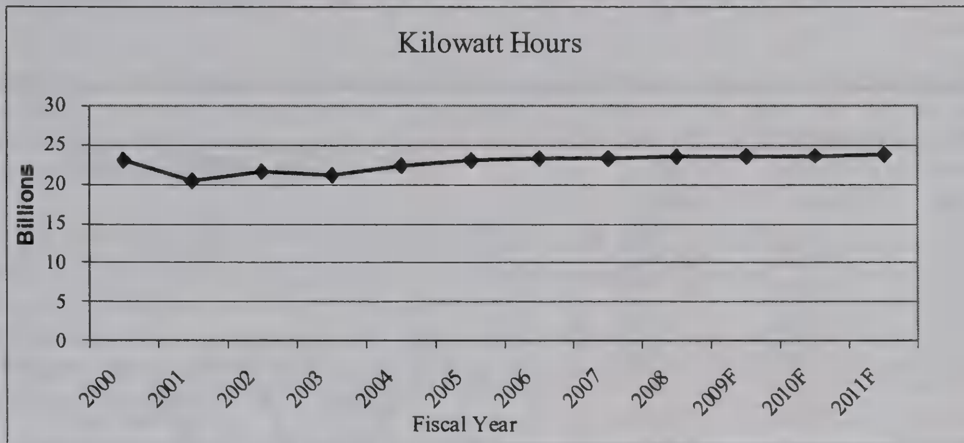
Analysis

FY 2008 known production in kilowatt hours and all subsequent years are multiplied by a growth factor derived by calculating the square root of the growth between FY 2005 and FY 2007. Taxable kilowatt hours are then multiplied by the tax rate to derive total revenue from this source.

Legislative Fiscal Division

Revenue Estimate Profile

Electrical Energy Tax



Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentage, 100 percent to the general fund, is applied.

Forecast Methodology:

Fiscal Year Taxable Kilowatt Hours Produced X Growth Rate X Tax Rate → **Total Electrical Energy Tax Revenue For Fiscal Year**

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

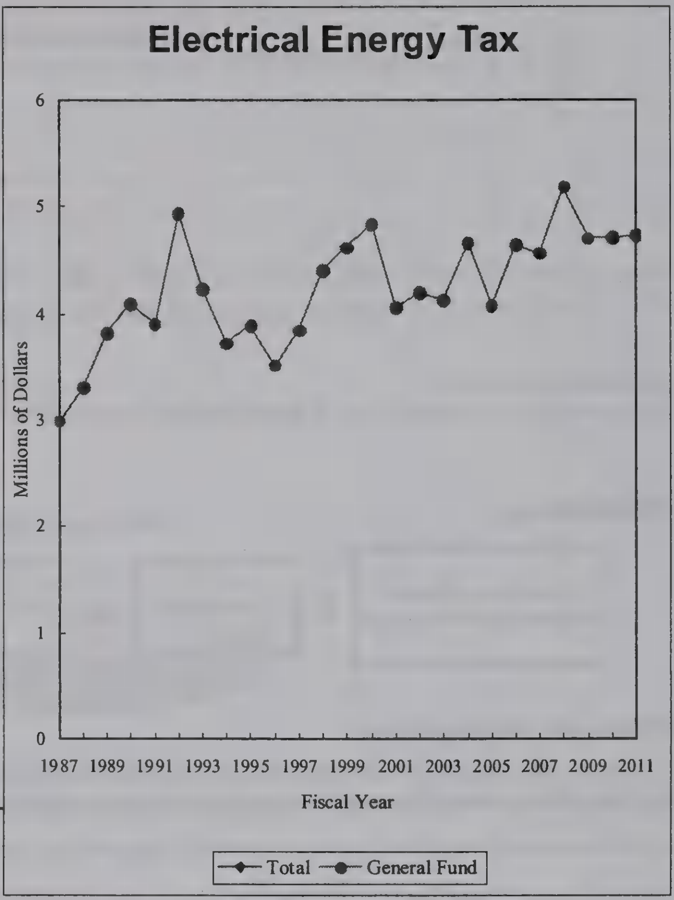
	t Fiscal	Total Tax Millions	GF Tax Millions	KWH Fiscal Millions	Credits Millions	Tax Rate
Actual	2000	4.829002	4.829002	22937.761931	0.000189	0.000200
Actual	2001	4.057952	4.057952	20444.170990	0.000000	0.000200
Actual	2002	4.197477	4.197477	21642.219243	0.000000	0.000200
Actual	2003	4.130019	4.130019	21068.970125	0.000000	0.000200
Actual	2004	4.660529	4.660529	22310.179496	0.000000	0.000200
Actual	2005	4.074409	4.074409	23065.262028	0.000000	0.000200
Actual	2006	4.644508	4.644508	23156.213077	0.000000	0.000200
Actual	2007	4.564404	4.564404	23159.175430	0.000000	0.000200
Actual	2008	5.179013	5.179013	23488.255737	0.000000	0.000200
Forecast	2009	4.707000	4.707000	23536.030849	0.000000	0.000200
Forecast	2010	4.717000	4.717000	23583.903136	0.000000	0.000200
Forecast	2011	4.727000	4.727000	23631.872795	0.000000	0.000200

Total Tax = KWH Fiscal * Tax Rate - Credits
GF Tax = Total Tax

Legislative Fiscal Division
Revenue Estimate Profile
Electrical Energy Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	2.991861	2.991861	Not App.
A	1988	3.311082	3.311082	10.67%
A	1989	3.815964	3.815964	15.25%
A	1990	4.100543	4.100543	7.46%
A	1991	3.906194	3.906194	-4.74%
A	1992	4.937510	4.937510	26.40%
A	1993	4.232200	4.232200	-14.28%
A	1994	3.728365	3.728365	-11.90%
A	1995	3.885910	3.885910	4.23%
A	1996	3.520407	3.520407	-9.41%
A	1997	3.849052	3.849052	9.34%
A	1998	4.401728	4.401728	14.36%
A	1999	4.618433	4.618433	4.92%
A	2000	4.829002	4.829002	4.56%
A	2001	4.057952	4.057952	-15.97%
A	2002	4.197477	4.197477	3.44%
A	2003	4.130019	4.130019	-1.61%
A	2004	4.660529	4.660529	12.85%
A	2005	4.074409	4.074409	-12.58%
A	2006	4.644508	4.644508	13.99%
A	2007	4.564404	4.564404	-1.72%
A	2008	5.179013	5.179013	13.47%
F	2009	4.707000	4.707000	-9.11%
F	2010	4.717000	4.717000	0.21%
F	2011	4.727000	4.727000	0.21%



Legislative Fiscal Division

Revenue Estimate Profile

Federal Forest Receipts

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. The state sends the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

The previous formula for distributing federal forest payments terminated in FY 2008. In the federal Emergency Economic Stabilization Act of 2008 (the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through FY 2012 considers acres of federal land within an eligible county, the average three highest 25-percent payments made to each eligible state for each eligible county under the previous formula, and an income adjustment based on the per capita personal income for each county. As before, not more than 20 percent but at least 15 percent must be used by county governments for projects on federal lands. The remainder is distributed as below.

Statutory Reference:

Tax Rate – NA
Tax Distribution MCA) – 17-3-211, 17-3-212
Date Due – the state treasurer distributes the funds within 30 days after receiving full payment

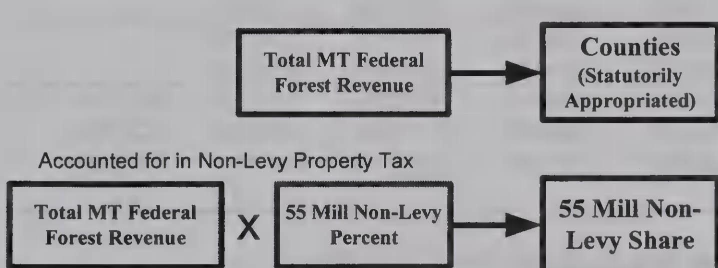
Applicable Tax Rate(s): N/A

Distribution: The county treasurer apportions federal forest receipts in the following manner:

- 66 2/3% to the general fund of the county
- 33 1/3% to the following county wide accounts, based on the mill ratios of each to total mills in the current year:
    - the county equalization accounts (55 mills)
    - the county transportation account
    - the county retirement accounts

This revenue source represents one component used to calculate total non-levy property tax revenue.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this source.

% of Total General Fund Revenue: Non levy is included in "Property Tax: 55 mills".

Revenue Estimate Methodology: A number of analytical techniques are used to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used to develop the revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the process used to develop the revenue estimate.

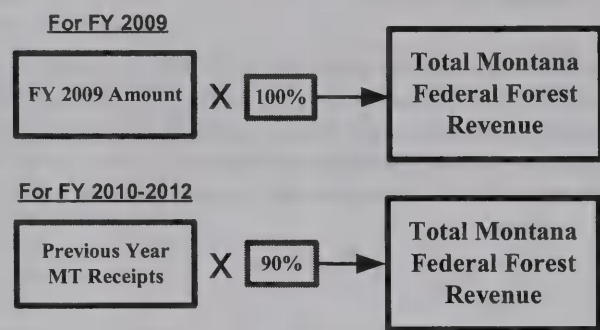
Legislative Fiscal Division

Revenue Estimate Profile

Federal Forest Receipts

With the passage of the federal Emergency Economic Stabilization Act of 2008 (the Bailout Bill), the amount available to each county for FY 2009 is known and declines ten percent per year until FY 2012, after which the act sunsets. The general fund share will vary because of this and as a result of changes in the 55 mill share as a percent of the total countywide school mills.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

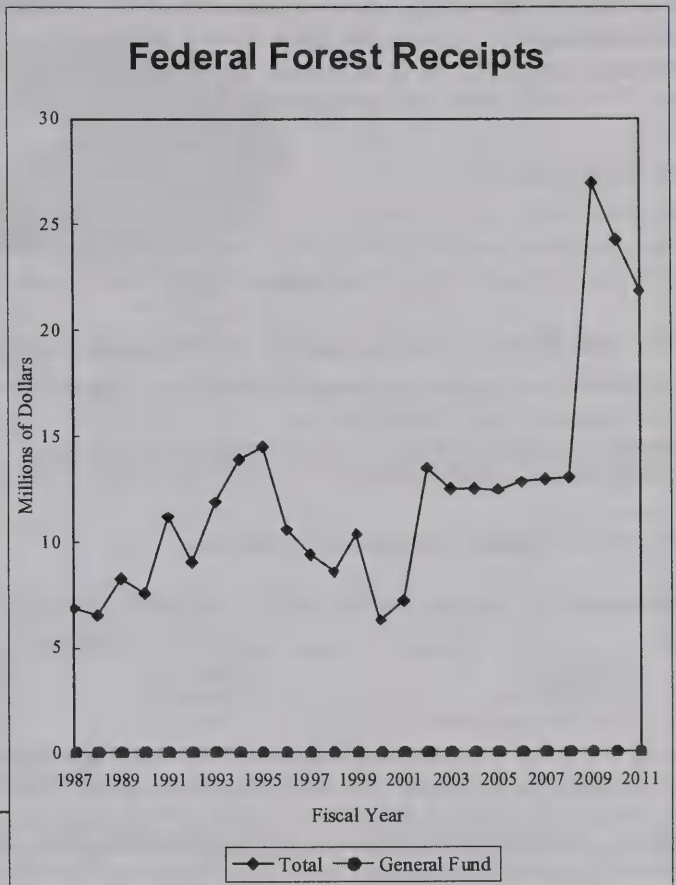
	t Fiscal	Total Tax Millions	GF Tax Millions	CPI Percent Change	50% CPI % Change	Secure Rural Schools Millions
Actual	2000	6.283122	0.000000	3.3613%		
Actual	2001	7.185037	0.000000	2.7875%		
Actual	2002	13.474861	0.000000	1.6384%		
Actual	2003	12.478757	0.000000	2.2790%	0.8000%	
Actual	2004	12.490680	0.000000	2.6630%	1.1395%	
Actual	2005	12.431155	0.000000	3.3880%	1.3315%	
Actual	2006	12.799829	0.000000	3.2258%	1.6940%	
Actual	2007	12.934779	0.000000	2.8274%	1.6129%	
Actual	2008	13.027514	0.000000	3.8109%	1.4137%	
Actual	2009	26.953000	0.000000	-1.8587%	1.9055%	26.953258
Actual	2010	24.258000	0.000000	1.5152%	-0.9294%	24.257932
Actual	2011	21.832000	0.000000	2.3787%	0.007576	21.832139

Total Tax = Secure Rural Schools Act - Federal Legislation

Federal Forest Receipts

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	6.822559	0.000000	Not App.
A	1988	6.500201	0.000000	Not App.
A	1989	8.238545	0.000000	Not App.
A	1990	7.581897	0.000000	Not App.
A	1991	11.149715	0.000000	Not App.
A	1992	9.009450	0.000000	Not App.
A	1993	11.839490	0.000000	Not App.
A	1994	13.854903	0.000000	Not App.
A	1995	14.482281	0.000000	Not App.
A	1996	10.555715	0.000000	Not App.
A	1997	9.383236	0.000000	Not App.
A	1998	8.558090	0.000000	Not App.
A	1999	10.366666	0.000000	Not App.
A	2000	6.283122	0.000000	Not App.
A	2001	7.185037	0.000000	Not App.
A	2002	13.474861	0.000000	Not App.
A	2003	12.478757	0.000000	Not App.
A	2004	12.490680	0.000000	Not App.
A	2005	12.431155	0.000000	Not App.
A	2006	12.799829	0.000000	Not App.
A	2007	12.934779	0.000000	Not App.
A	2008	13.027514	0.000000	Not App.
F	2009	26.953000	0.000000	Not App.
F	2010	24.258000	0.000000	Not App.
F	2011	21.832000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Revenue Description: The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. Senate Bill 30, enacted in the August 2002 special legislative session, revised the payment of taxes from once to twice a year. The first $250,000 of value is exempt from taxation. A company taxed at both rates can claim both exemptions.

Statutory Reference:

Tax Rate (MCA) – 15-37-103
Tax Distribution (MCA) –15-37-117, 17-2-124(2)
Date Due – August 15th for period January through June, March 31st for period July through December (15-37-105)

Applicable Tax Rate(s): The tax rate for a 6-month period is as follows:

Gross value is defined as monetary amounts or refined metal received for the products less:

1. Basic treatment and refinery charges
2. Transportation costs from the mine to a mill or other processor
3. Quantity and price deductions
4. Interest
5. Penalty metal, impurity and moisture deductions

For concentrates shipped to a smelter, mill, or reduction work:		For gold, silver, or any platinum group metal that is dore*, bullion, or matte* and that is shipped to a refinery:	
Gross Value	Rate	Gross Value	Rate
$0-$250,000	Exempt	$0-$250,000	Exempt
$250,001 and Above	1.81%	$250,001 and Above	1.6%
		* Dore: A mixture of gold and silver in cast bars Matte: A crude mixture of sulfides formed in smelting sulfide ores of metals	

Distribution: The distribution of the metal mines tax has been altered several times since the 1990s. Prior to the 2005 Legislature, the most recent change had been enacted by the 2001 Legislature in Senate Bill 484 (effective July 1, 2002) that created a hard-rock mining reclamation debt service fund to pay debt service on the $8.0 million of bonds authorized for state costs related to hard-rock mining reclamation, operation, and maintenance. The 8.5 percent allocation of metalliferous mines tax revenue previously allocated to the orphan share account was allocated to the hard-rock mining reclamation debt service fund. The 2005 Legislature increased the allocation to counties from 24 percent to 25 percent and decreased the general fund allocation from 58 percent to 57 percent. The table below shows recent historical distributions of the tax revenue.

Distribution of Metalliferous Mines Tax (Percent)

	Fiscal 1994-1995	Fiscal 1996-1997	Fiscal 1998-2002	Fiscal 2003	Fiscal 2004-2005	Fiscal 2006&Beyond
General Fund	58.0	58.0	58.0	65.0	58.0	57.0
Counties *	25.0	25.0	24.0	24.0	24.0	25.0
Hard Rock Reclamation Debt Service	0.0	0.0	0.0	8.5	8.5	8.5
Natural Resources Operations**	0.0	4.8	7.0	0.0	7.0	7.0
Hard Rock Mining	1.5	1.5	2.5	2.5	2.5	2.5
RIT Trust	15.5	0.0	0.0	0.0	0.0	0.0
Groundwater Assessment	0.0	2.2	0.0	0.0	0.0	0.0
Abandoned Mines	0.0	8.5	0.0	0.0	0.0	0.0
Orphan Share	0.0	0.0	8.5	0.0	0.0	0.0
	100.0	100.0	100.0	100.0	100.0	100.0

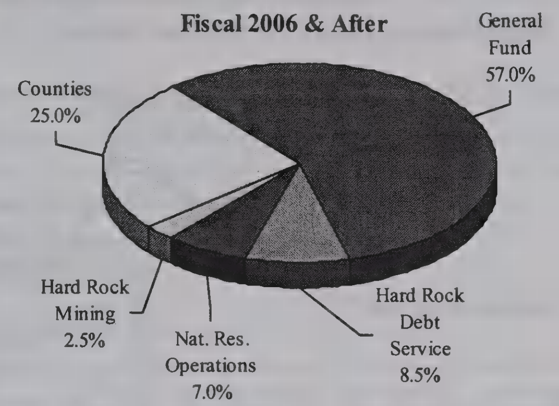
* Stautorily appropriated
** Name changed by HB 116 in the 2007 session

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.23%
FY 2005 – 0.34%
FY 2006 – 0.41%
FY 2007 – 0.49%
FY 2008 – 0.55%

Revenue Estimate Methodology:

The metalliferous mines tax is applied to the taxable gross value of production. The metalliferous mines tax estimate is developed by estimating the annual sales price for each type of metal produced and the anticipated production quantity of each metal by company. From these estimates, taxable gross value can be determined to which an effective tax rate is applied. Since all production and price information is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

Data

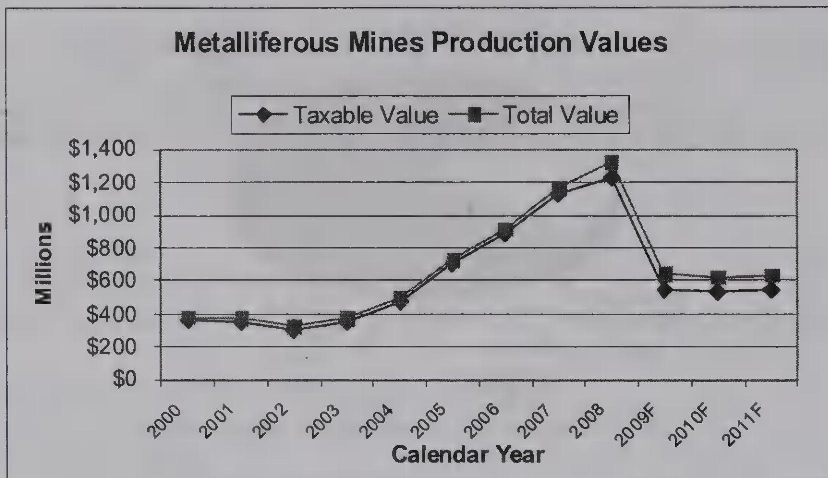
Mining companies are surveyed for anticipated production levels, general indications of applicable metal prices, and any possible changes in production due to expansion or contraction. Historical and future prices are obtained from various sources depending on the metal. Common sources include COMEX, NYMEX, and KITCO. In addition, a review is performed of historical trends, current literature on metals and metal prices, and companies' 10-Q reports. Data from biannual reports produced by DOR provide a history of production and prices by commodity and taxable gross value for each mining company. These companies are:

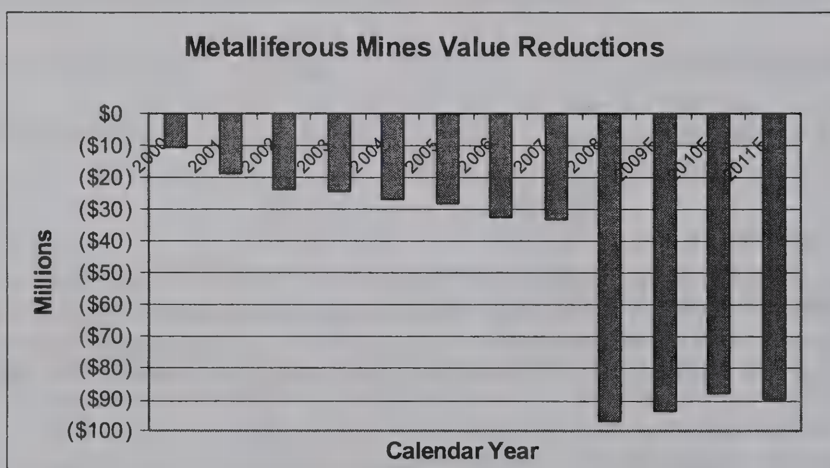
* Golden Sunlight Mines
* Stillwater Mining
* Montana Tunnels
* Montana Resources
* Holcim US
* Genesis

Analysis

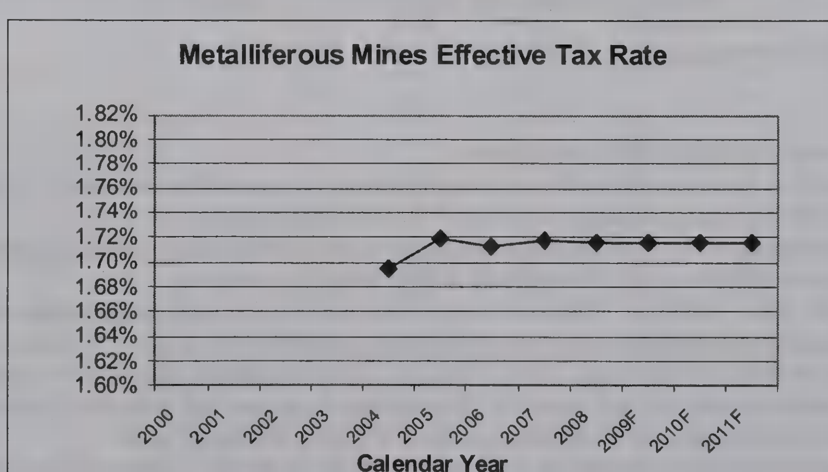
The taxable value of metals is determined in a four-step process:

- As reported on the survey, future metals production for each company is summed by commodity. Amounts may be adjusted to fit with historical trends or if major changes are expected from historical production.
- To determine the future price for each metal, different techniques are used depending on the commodity and the reasonableness of future prices based on research of the literature and directions of future markets.
  - Copper, gold, silver, palladium, platinum - the price reported from the most recent half-year report is increased by the percentage growth for that year as shown on the futures market.
  - Lead, zinc, rhodium, molybdenum, nickel – the price for the last known calendar year is used for all future years.
- The estimated production amount for each metal for all companies is summed and multiplied by the estimated price for that metal. This is done for each metal and the products summed to yield a total gross value.
- Total taxable value is obtained by reducing the total gross value by: a) the tax exempt amount of $250,000/year for each company; and b) allowable treatment, refinery, transportation, and other costs.





Taxable value is multiplied by an effective tax rate. Since a company's taxable value could be subject to two tax rates - 1.81 percent for concentrates shipped to a smelter, mill or reduction work and 1.6 percent for dore, bullion, or matte that is shipped to a refinery - an effective tax rate is used to capture both these rates. The effective tax rate for FY 2008 was rounded and used for the estimate. The rate is consistent with previous years. The estimate is obtained by multiplying the total taxable value by the effective tax rate.

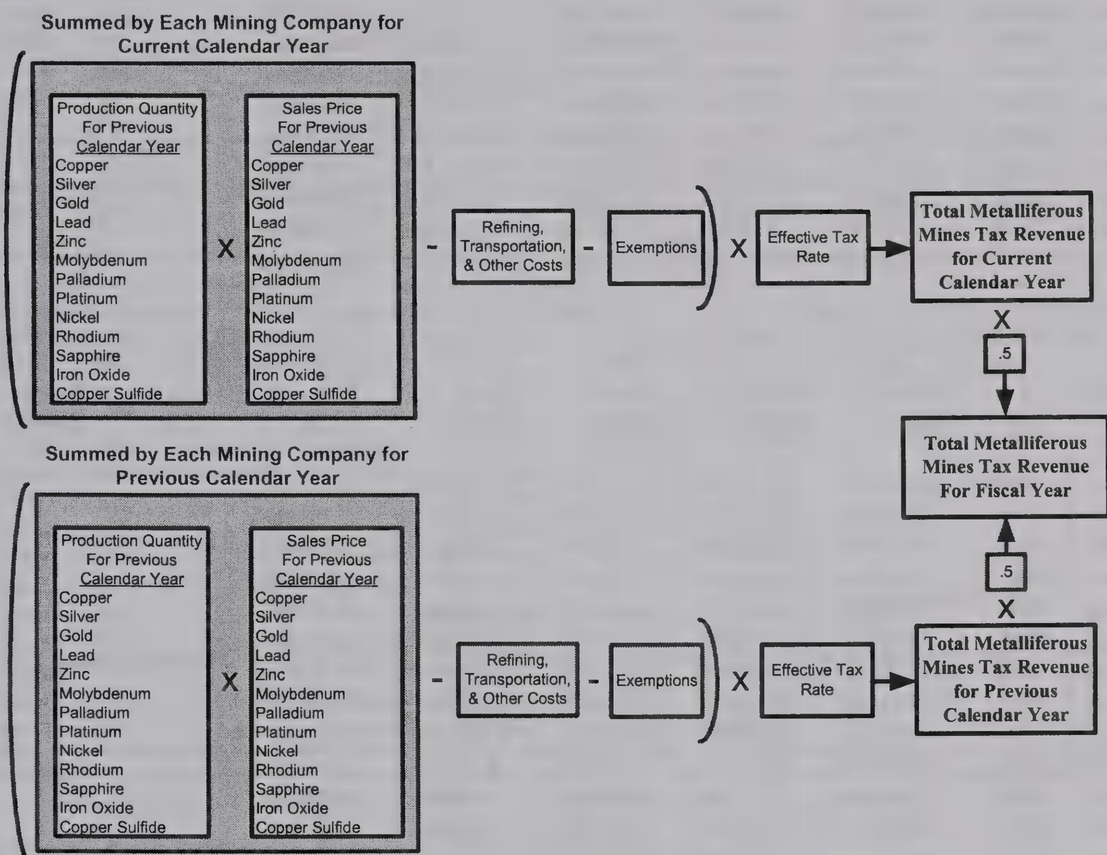


At this point the total represents estimates for calendar years. To convert the estimates to a fiscal year basis, half the previous calendar year's estimate is added to the half of the current calendar year's estimate.

Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentages are applied.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax Value CY Millions	Effective CY Rate	GF Allocation Percent
Actual	2000	4.661371	2.703031	369.117889		57.9879%
Actual	2001	5.923752	3.417475	355.643466		57.6911%
Actual	2002	5.740242	3.329340	303.045425		58.0000%
Actual	2003	7.055900	4.586335	347.630082		65.0000%
Actual	2004	5.572191	3.231871	472.984838	0.016944	58.0000%
Actual	2005	9.076338	5.264276	702.353328	0.017192	58.0000%
Actual	2006	12.435050	7.028159	880.570599	0.017130	56.5189%
Actual	2007	15.774412	8.991415	1128.269293	0.017178	57.0000%
Actual	2008	18.902178	10.774242	1052.039051	0.017152	57.0000%
Forecast	2009	11.889000	6.777000	334.314934	0.017152	57.0000%
Forecast	2010	5.699000	3.248000	330.226682	0.017152	57.0000%
Forecast	2011	5.752000	3.279000	340.531626	0.017152	57.0000%

Comdty. Prod.	t Cal	Copper Millions	Silver Millions	Gold Millions	Lead Millions	Zinc Millions	Moly Millions	Palladium Millions
Actual	2000	4.311635	1.579330	0.291116	10.105733	21.461326		
Actual	2001	0.279519	0.867094	0.273483	14.750164	24.383338		
Actual	2002	0.594816	0.431664	0.147947	6.454187	9.594224		
Actual	2003	3.586936	0.422095	0.299258	10.620022	14.550050		
Actual	2004	73.520284	1.431613	0.044652	8.977044	17.050902		
Actual	2005	83.678136	1.970639	0.127334	9.190636	14.296209	Confidential Data	
Actual	2006	83.170158	1.511962	0.113293	1.485809	2.587916		
Actual	2007	85.015492	2.104338	0.230927	11.181417	23.749088		
Actual	2008	82.506326	2.033999	0.195540	15.401940	42.565048		
Forecast	2009	70.802039	0.841018	0.023955	5.158125	13.280531		
Forecast	2010	75.169140	1.122144	0.009071	0.000000	0.000000		
Forecast	2011	79.536241	1.564728	0.009071	0.000000	0.000000		

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Comdty. Prod.	t Cal	Platinum Millions	Nickel Millions	Rhodium Millions	Sapphire Millions	Copper Sul Millions	Deduction Millions	Refining Millions
Actual	2000		0.000000		0.000000	0.000000		-10.330456
Actual	2001		0.626935		0.000000	0.000000		-18.811518
Actual	2002		1.254207		0.000000	0.000000		-23.786060
Actual	2003		1.378746		0.000000	0.000000		-23.933463
Actual	2004		1.282423		0.000000	0.000000	-1.000000	-26.616285
Actual	2005		1.306813		0.000000	0.000000	-1.000000	-27.774220
Actual	2006		1.584894		0.000000	0.000000	-1.000000	-32.059110
Actual	2007	Confidential Data	1.171433	Confidential Data	0.000000	0.000000	-1.000000	-32.784493
Actual	2008		0.820653		0.000000	0.000000	-1.250000	-99.460594
Forecast	2009		0.862672		0.000000	0.000000	-0.750000	-93.303150
Forecast	2010		0.862672		0.000000	0.000000	-0.750000	-87.433735
Forecast	2011		0.862672		0.000000	0.000000	-0.750000	-88.843873

Comdty. Price	t Cal	Copper Dollars	Silver Dollars	Gold Dollars	Lead Dollars	Zinc Dollars	Moly Dollars	Palladium Dollars
Actual	2000	0.646454	4.603820	276.279562	0.200607	0.502159		
Actual	2001	0.624133	4.067554	267.641016	0.217897	0.377707		
Actual	2002	0.644951	3.801359	312.723867	0.201686	0.368474		
Actual	2003	0.463017	5.229937	366.865992	0.280168	0.416065		
Actual	2004	1.038623	6.599440	411.438865	0.433676	0.498697		
Actual	2005	1.492033	7.003997	448.926031	0.448440	0.662373		
Actual	2006	3.288268	12.297368	601.550142	0.556520	1.555180	Confidential Data	
Actual	2007	3.408364	12.861079	721.827872	1.288473	1.310738		
Actual	2008	3.480000	16.310000	887.540000	0.960000	0.810000		
Forecast	2009	1.500000	10.000000	730.474000	0.500000	0.550000		
Forecast	2010	1.516000	10.094000	744.581000	0.500000	0.550000		
Forecast	2011	1.516000	10.345000	770.418000	0.500000	0.550000		

Comdty. Price	t Cal	Platinum Dollars	Nickel Dollars	Rhodium Dollars	Sapphire Dollars	Copper Sul Dollars
Actual	2000				0.000000	0.000000
Actual	2001		2.024806		0.000000	0.000000
Actual	2002		2.905846		0.000000	0.000000
Actual	2003		4.101375		0.000000	0.000000
Actual	2004		6.300544		0.000000	0.000000
Actual	2005		5.956539		0.000000	0.000000
Actual	2006		10.044211		0.000000	0.000000
Actual	2007	Confidential Data	16.905877	Confidential Data	0.000000	0.000000
Actual	2008		8.380000		0.000000	0.000000
Forecast	2009		5.000000		0.000000	0.000000
Forecast	2010		5.000000		0.000000	0.000000
Forecast	2011		5.000000		0.000000	0.000000

Total Tax = (Copper Prod. * Copper Price + Silver Prod. * Silver Price + Gold Prod. * Gold Price + Lead Prod. * Lead Price + Zinc Prod. * Zinc Price + Moly Prod. * Moly Price + Palladium Prod. * Palladium Price + Platinum Prod. * Platinum Price + Nickel Prod. * Nickel Price + Rodium Prod. * Rodium Price + Deduction + Refining) * Effective CY Rate

GF Tax = (Previous Cal. Total Tax + Current Cal. Total Tax) * .5 * GF Allocation

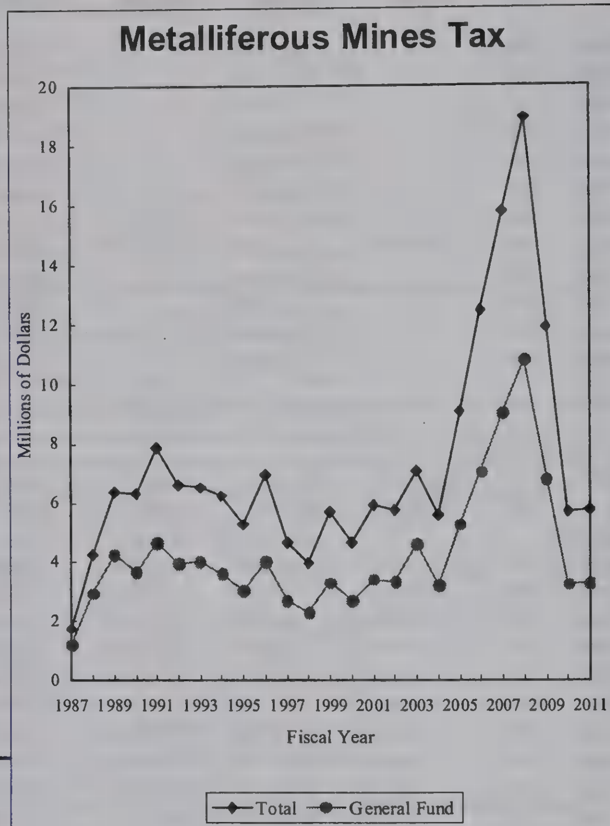
Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	1.756121	1.211030	Not App.
A	1988	4.248913	2.961778	144.57%
A	1989	6.355005	4.257531	43.75%
A	1990	6.306356	3.664579	-13.93%
A	1991	7.855130	4.638654	26.58%
A	1992	6.595466	3.965609	-14.51%
A	1993	6.521077	4.030946	1.65%
A	1994	6.229683	3.613074	-10.37%
A	1995	5.259335	3.050414	-15.57%
A	1996	6.941131	4.025856	31.98%
A	1997	4.648563	2.696167	-33.03%
A	1998	3.977699	2.306801	-14.44%
A	1999	5.700013	3.305971	43.31%
A	2000	4.661371	2.703031	-18.24%
A	2001	5.923752	3.417475	26.43%
A	2002	5.740242	3.329340	-2.58%
A	2003	7.055900	4.586335	37.76%
A	2004	5.572191	3.231871	-29.53%
A	2005	9.076338	5.264276	62.89%
A	2006	12.435050	7.028159	33.51%
A	2007	15.774412	8.991415	27.93%
A	2008	18.902178	10.774242	19.83%
F	2009	11.889000	6.777000	-37.10%
F	2010	5.699000	3.248000	-52.07%
F	2011	5.752000	3.279000	0.95%



Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Revenue Description: The oil and natural gas production tax is imposed on the production of petroleum and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production. A portion of the revenue from the tax may returned to Indian tribes per agreements between the Department of Revenue and the tribes.

Statutory Reference:

Tax Rate (MCA) – 15-36-304. Privilege and license tax – 82-11-131, Administrative Rules 36.72.1242
Tax Distribution (MCA) – 15-36-331(4), 15-36-332(2&3) (to taxing units)
Date Due – within 60 days after the end of the calendar quarter (15-36-311(1))

Applicable Tax Rate(s): The oil and natural gas production tax has numerous tax rates depending on several factors. These factors include whether the oil or gas is produced from a stripper well, a stripper incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or 18 months, and whether the interest being taxed is the working interest or the royalty interest. The Board of Oil and Gas Conservation imposes an additional privilege and license (P & L) tax on all oil and natural gas tax rates. Starting October 2006 as set by the Board, the P&L tax rate is 0.09 percent. Based on this rate, HB 758 enacted by the 2005 Legislature allows an additional tax rate of 0.17 percent to generate revenue for local impacts for local governments. The two taxes may not exceed 0.3 percent. The following table shows tax rate percentages for each type of pre-1999 oil and post-1999 oil, excluding the P & L tax and the new Local Impact tax. The quarterly tax rates on stripper production and on incremental production are lower than that for regular production unless the price of West Texas Intermediate averages above $30 for the quarter. Similarly, the quarterly tax rate for stripper well exemption production (1-3 barrels a day) is lower than that for regular production unless the price of West Texas Intermediate averages above $38 for the quarter.

Oil Tax Rates 15-36-304(5), MCA	
Working Interest	
Primary recovery production	
First 12 months of qualifying production	0.5%
After 12 months:	
pre-1999 wells	12.5%
post-1999 wells	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil<$30)	
1 through 10 barrels a day production	5.5%
>10 through 14 barrels a day production	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil>=$30)	*
Stripper wells (3 barrels or less/day)	
Stripper well exemption production (if oil <$38)	0.5%
Stripper well bonus production (if oil >=$38)	6.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months	
pre-1999 wells	12.5%
post-1999 wells	9.0%
Incremental production (if oil <$30/barrel)	
New or expanded secondary recovery production	8.5%
New or expanded tertiary production	5.8%
Incremental production (if oil >=$30/barrel)	
Pre-1999 wells	12.5%
Post-1999 wells	9.0%
Horizontally recompleted well	
First 18 months	5.5%
After 18 months	
pre-1999 wells	12.5%
post-1999 wells	9.0%
Nonworking Interest	14.8%
* No stripper tax rate. Taxed at primary recovery rates. See 15-36-303(22a)	

Oil and Natural Gas Production Tax

Natural Gas Tax Rates 15-36-304(2), MCA		
Working Interest		
Qualified production		
First 12 months		0.5%
After 12 months		
	pre-1999	14.8%
	post-1999	9.0%
Stripper natural gas pre-1999 wells		11.0%
Horizontally completed well production		
First 18 months of qualifying production		0.5%
After 18 months		9.0%
Nonworking Interest		14.8%

Distribution: Once the oil and natural gas production taxes have been collected, the revenue is first distributed based on the amounts collected from the P & L and Local Impact taxes. The amounts from the P & L tax are distributed to the Board of Oil and Gas Conservation. The amounts from the Local Impact tax are distributed to the oil and gas natural resource state special revenue account. The amounts received by Board and the oil and gas natural resource account vary based on a sliding tax scale based on the P & L tax set by the Board. Counties producing oil and natural gas receive the next share of total revenue with each county having its own statutory distribution percentage of total revenue, including the revenue generated by the P & L and Local Impact taxes. A portion of the revenue may be returned to Indian tribes per agreements between the Department of Revenue and the tribes. The remainder of the revenue is distributed to other state accounts in the following manner:

Fiscal 2008 though Fiscal 2011

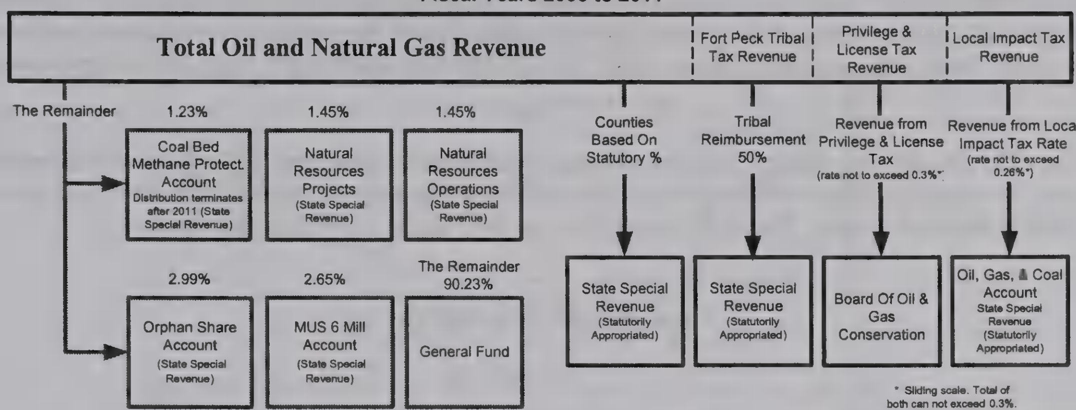
- Coal bed methane account – 1.23%
- Natural resources projects account – 1.45%
- Natural resources operations account – 1.45%
- Orphan share account – 2.99%
- University system 6 mill levy account – 2.65%
- General fund – the remainder (90.23%)

The distributions of county shares and the amount of oil and natural gas production tax revenue deposited in the oil and gas natural resource account are statutorily appropriated and are based on the statutorily set percentages for each county.

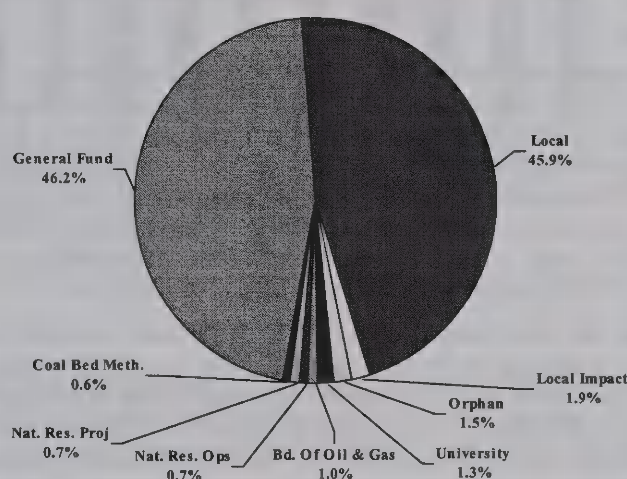
Oil and Natural Gas Production Tax

Distribution Chart:

Fiscal Years 2008 to 2011



Oil & Natural Gas Production Tax Revenue Based on FY 2008 Actual Amounts of $324.311 Million



Because the exact distribution of oil & natural gas revenue will vary depending on various factors, the chart only reflects fiscal 2008 actual distributions. Please see the table above for exact distribution percentages.

Summary of Legislative Action:

The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 2.99%
FY 2005 – 4.09%
FY 2006 – 5.42%
FY 2007 – 5.25%
FY 2008 – 7.64%

Revenue Estimate Methodology:

The estimate for oil and natural gas revenue is derived from estimating the price and specific production subject to varying tax rates from which value can be obtained. Specific statutory tax rates are used for the types of oil and natural gas that are taxed differently.

Legislative Fiscal Division

Revenue Estimate Profile

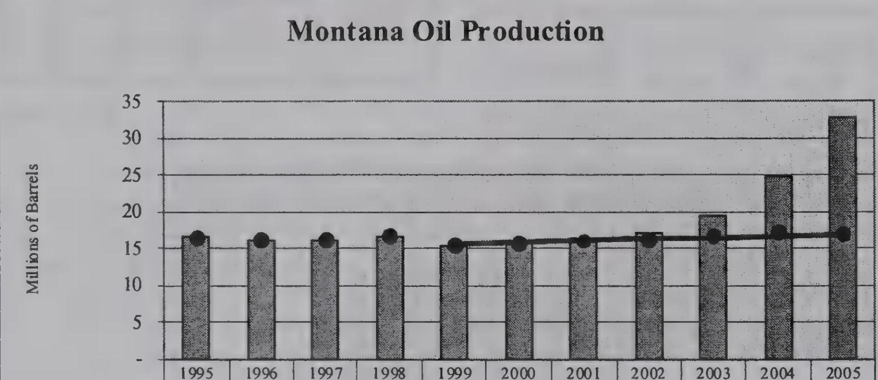
Oil and Natural Gas Production Tax

Data

Data from the Board of Oil and Gas Conservation are used extensively to isolate monthly historical production of oil and natural gas by field and by individual well. Global Insight provides future estimates of West Texas Intermediate oil and national well head natural gas prices. Production, price, value, and revenue collections, by oil type, are provided on a quarterly basis by the Department of Revenue.

Oil Analysis

- Production - The estimate is developed on a quarterly basis with production from the Elm Coulee field separate from all other production. Analysis of the field data indicates that the majority of the increased production is from the relatively new Elm Coulee field in Richland County. The importance of this one field can be seen in the figure below.

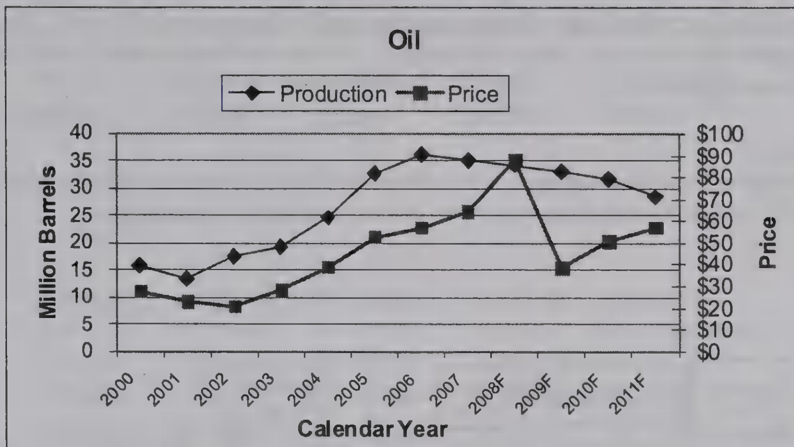


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total	16.525	16.184	16.163	16.648	15.351	15.761	16.287	16.987	19.418	24.699	32.786
wo Elm Coulee	16.525	16.184	16.163	16.648	15.351	15.740	16.020	16.210	16.730	17.175	16.880
Trend Line					15.677	15.859	16.042	16.224	16.406	16.589	16.771

Industry personnel state that this field peaked October 2006. If so, fewer new wells will be spudded (drilling initiated). Existing wells will then follow a production decline curve unique to the characteristics of the field. Fields tapped through horizontal drilling, such as Elm Coulee, tend to be depleted more rapidly than those tapped vertically. Future production from completed wells can be estimated by developing a normalized production decline curve from the producing wells. In doing so, the difficulty of having different starting time for each well can be eliminated by averaging each well's production from a common time point. The result is a curve that represents the average production of wells in the Elm Coulee field by month of production. Production from future wells can be estimated by applying the production curve coefficients to an estimate of future spudded wells. Knowing monthly production from each well and the date it was placed into production are essential for estimating oil tax revenue because tax rates vary based on the length of time a well has been in production. The dynamics in the timing of when wells enter and fall out of the various tax rates and the changes in production at the various stages is complex, but needs to be modeled to ensure accurate estimates.

Production from all other fields is also estimated on a quarterly basis and by the different taxation types. For each quarter, the estimate is derived by multiplying the same quarter of the previous year by the ratio of the results of a regression analysis for the same quarter of the current and the previous year. The results for each tax type are then summed and the quarterly results are summed by year.

- Price – The price for each quarter is estimated by adjusting the Global Insight West Texas Intermediate oil price for that quarter by the ratio of the previous three year average Montana price to the three year average of the Global Insight price.



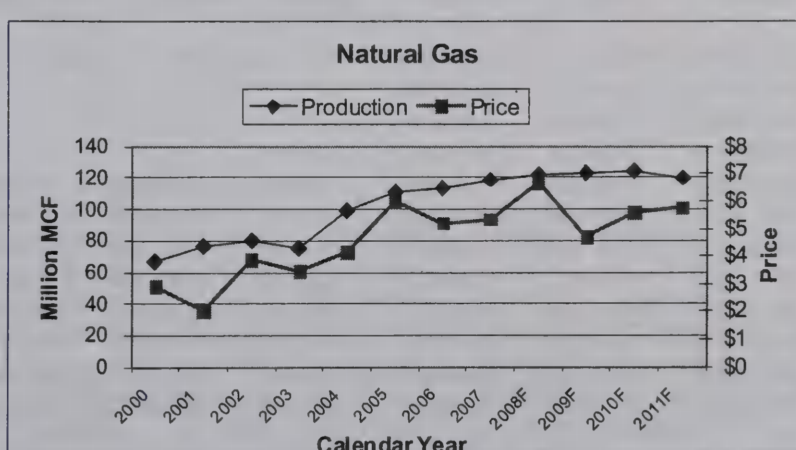
Once production and prices have been estimated, the value can be calculated by the product of the two. The quarterly value of each tax type is then multiplied by the applicable tax rate to obtain the estimate. The sum of the revenue from all tax types for each fiscal year determines the oil production revenue estimate.

Natural Gas Analysis

- Production - The natural gas industry in Montana has also been undergoing major changes. Improved techniques have allowed new fields to be developed and old fields to be more productive. Data from the Board of Oil and Gas Conservation indicate that the majority of increased production is from the same two fields that were the major contributors to the natural gas production tax in the 2009 biennium, but are now joined by other important contributing fields – St. Joe Road, Pennel, CX, Tiger Ridge, Bowdoin, and Cedar Creek. A normalized production curve is developed for each of these fields. As with oil, the development of a normalized production curve from individual wells eliminates the difficulty of having different starting time for each well by averaging each well's production from a common point in time. The result is a curve that represents the average production of wells in these by month of production. With the equations of these curves, future production can be estimated.

  Production from all other fields is also estimated on a quarterly basis and by the different taxation types. For each quarter, the estimate is derived by multiplying the same quarter of the previous year by the ratio of the results of a regression analysis for the same quarter of the current and the previous year. The results for each tax type are then summed and the quarterly results are summed by year.

- Price – The price for each quarter is estimated by adjusting the Global Insight West Texas national well head price for that quarter by the ratio of the previous three year average Montana price to the three year average of the Global Insight price.

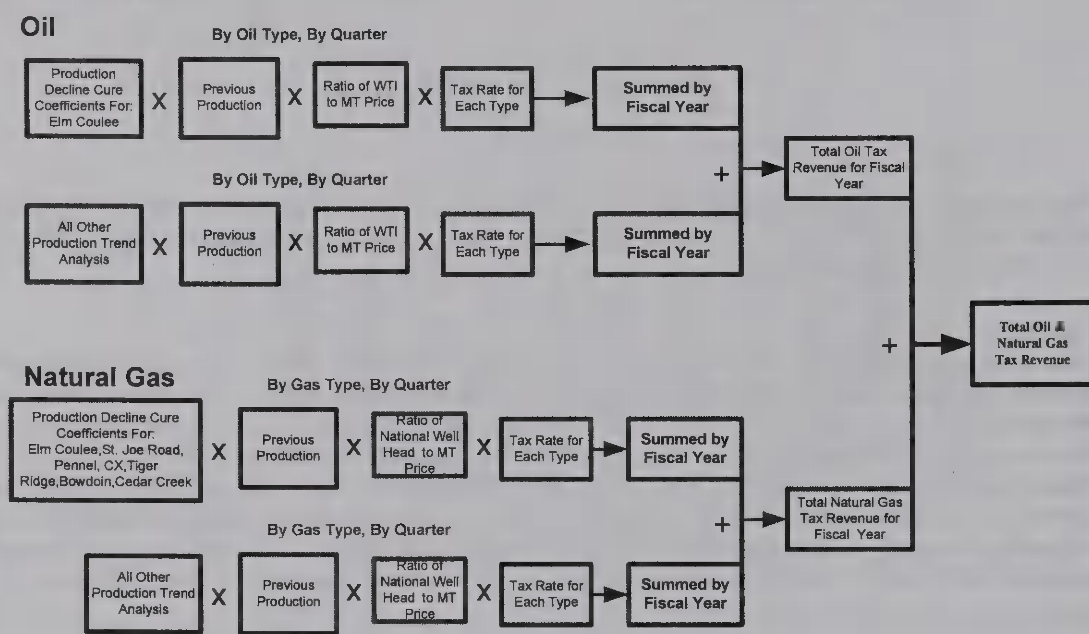


Once production and prices have been estimated, the value can be calculated by the product of the two. The quarterly value of each tax type is then multiplied by the applicable tax rate to obtain the revenue. The sum of the revenue from all tax types for each fiscal year determines the natural gas revenue estimate.

Adjustments and Distribution

Once the oil and natural gas estimates have been summed, the distribution formula is applied with the amounts to the Board of Oil and Gas and to local governments distributed first and the remainder subject to statutory percentages.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Allocation Percent	Audits Millions	Total Tax Oil Millions	Total Tax Gas Millions
Actual	2000	43.772950	11.362741	0.259584			
Actual	2001	92.395790	25.791723	0.279144			
Actual	2002	50.303610	12.902439	0.256491			
Actual	2003	73.389376	29.086038	0.396325	2.436178		
Actual	2004	92.676050	41.323718	0.445894	1.687625	58.480000	30.645000
Actual	2005	137.754331	62.625939	0.454620	1.127243	99.999000	39.955000
Actual	2006	203.681078	92.562800	0.454450	1.428545	145.916000	59.042000
Actual	2007	209.946350	96.334992	0.458855	1.242493	161.830000	48.631000
Actual	2008	324.311270	149.993826	0.462500	3.168372	263.159000	60.712000
Forecast	2009	210.965000	94.641205	0.448611	1.000000	163.745000	46.504000
Forecast	2010	155.661000	69.831226	0.448611	1.500000	103.139000	44.555000
Forecast	2011	189.964000	85.219926	0.448611	1.500000	128.076000	54.154000

Oil and Natural Gas Production Tax

Oil	t Fiscal	Barrels Millions	Price Per Barrel	Gross Value Millions	Effective Tax Rate	Tax Millions
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003					
Actual	2004	21.755195	30.844774	671.034087	0.087149	58.480075
Actual	2005	28.643376	45.556521	1304.892528	0.076634	99.998585
Actual	2006	35.095391	57.329257	2011.992730	0.072523	145.916163
Actual	2007	36.201663	55.824501	2020.939756	0.080076	161.829675
Actual	2008	33.296362	88.790457	2956.399229	0.089013	263.158834
Forecast	2009	30.111504	54.362823	1636.946347	0.100031	163.744818
Forecast	2010	27.542004	36.719892	1011.339417	0.101982	103.138631
Forecast	2011	25.521504	48.778965	1244.912546	0.102880	128.076465

Gas	t Fiscal	MCF's Millions	Price Per MCF	Gross Value Millions	Effective Tax Rate	Tax Millions
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003					
Actual	2004	91.783052	3.740240	343.290668	0.089268	30.644967
Actual	2005	105.086763	4.485594	471.376542	0.084762	39.954600
Actual	2006	112.475960	6.354795	714.761690	0.082604	59.042467
Actual	2007	116.234254	5.255464	610.864953	0.079611	48.631473
Actual	2008	121.083091	6.445792	780.476368	0.077788	60.711596
Forecast	2007	122.539502	4.606833	564.519005	0.082378	46.504139
Forecast	2008	123.579002	4.338035	536.090035	0.083110	44.554513
Forecast	2009	121.841500	5.141615	626.462086	0.086444	54.153784

Oil	t Cal	Barrels Millions	Price Per Barrel	Gross Value Millions	Effective Tax Rate	Total Tax Millions
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003	19.329005	28.035377	541.895949	0.091632	49.654833
Actual	2004	24.630583	38.989706	960.339199	0.082092	78.835902
Actual	2005	32.677136	52.762390	1724.123800	0.072677	125.303767
Actual	2006	36.195677	57.142848	2068.324076	0.075427	156.007969
Actual	2007	35.275113	64.763336	2284.533999	0.084668	193.426261
Actual	2008	31.570000	89.766933	2833.942073	0.094718	268.424884
Forecast	2009	28.653000	32.133195	920.712425	0.102058	93.966515
Forecast	2010	26.431000	43.323074	1145.072156	0.101915	116.699739
Forecast	2011	24.612000	54.397339	1338.827303	0.103802	138.973576

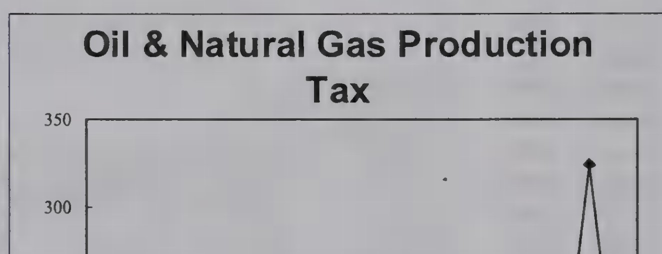
Oil and Natural Gas Production Tax

Gas	t Cal	MCF's Millions	Price Per MCF	Gross Value Millions	Effective Tax Rate	Total Tax Millions
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003	75.488126	3.469441	261.901631	0.092653	24.265877
Actual	2004	99.080392	4.153472	411.527652	0.085933	35.363671
Actual	2005	110.440134	6.003194	662.993595	0.082978	55.013925
Actual	2006	113.578458	5.204711	591.143004	0.081529	48.195074
Actual	2007	118.820828	5.346010	635.217309	0.078109	49.615909
Actual	2008	121.729000	6.776980	824.955011	0.080141	66.112407
Forecast	2009	123.350000	3.501947	431.965150	0.082527	35.648770
Forecast	2010	123.808000	5.092954	630.548389	0.083531	52.670419
Forecast	2011	119.875000	5.093427	610.574615	0.089470	54.628094

Total Tax = Barrels * Price * Tax Rate + MCF's * Price * Tax Rate + Audits
GF Rev = Total Tax * GF Allocation + Audits

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	19.904239	13.254877	Not App.
A	1988	18.913097	17.975582	35.61%
A	1989	15.748241	14.959251	-16.78%
A	1990	16.486405	15.567426	4.07%
A	1991	62.879742	20.163269	29.52%
A	1992	58.892324	21.822893	8.23%
A	1993	48.650604	18.676586	-14.42%
A	1994	40.871318	13.403408	-28.23%
A	1995	34.704332	12.963887	-3.28%
A	1996	40.826475	10.665986	-17.73%
A	1997	50.150068	13.283093	24.54%
A	1998	35.709042	9.120152	-31.34%
A	1999	30.446634	7.505617	-17.70%
A	2000	43.772950	11.362741	51.39%
A	2001	92.395790	25.791723	126.99%
A	2002	50.303610	12.902439	-49.97%
A	2003	73.389376	29.086038	125.43%
A	2004	92.676050	41.323718	42.07%
A	2005	137.754331	62.625939	51.55%
A	2006	203.681078	92.562800	47.80%
A	2007	209.946350	96.334992	4.08%
A	2008	324.311270	149.993826	55.70%
F	2009	211.249000	94.769000	-36.82%
F	2010	149.193000	66.930000	-29.38%
F	2011	183.730000	82.423000	23.15%



Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Revenue Description: The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal (based on the contract sales price), as well as most minerals, but not gravel, metals, oil, and natural gas. Prior to July 1, 2002 when the Governor by executive order certified to the Secretary of State that the resource indemnity trust balance had reached $100 million, a portion of oil and natural gas taxes had been distributed under the same methodology as the RIGWA tax. Once the RIT balance reached $100 million, this portion of oil and natural gas taxes no longer has a connection to the RIGWA tax. The RIGWA tax on all other production is specific to each resource as described below.

Statutory Reference:

Tax Rate (MCA) – 15-38-104
Tax Distribution (MCA) – 15-38-106
Date Due from metal producers – March 31st following the end of the calendar year (15-38-105, 15-38-106(1))
Date Due from mineral producers – 60 days following the end of the calendar year (15-38-105, 15-38-106(1))

Applicable Tax Rate(s): The applicable rates are as follows:

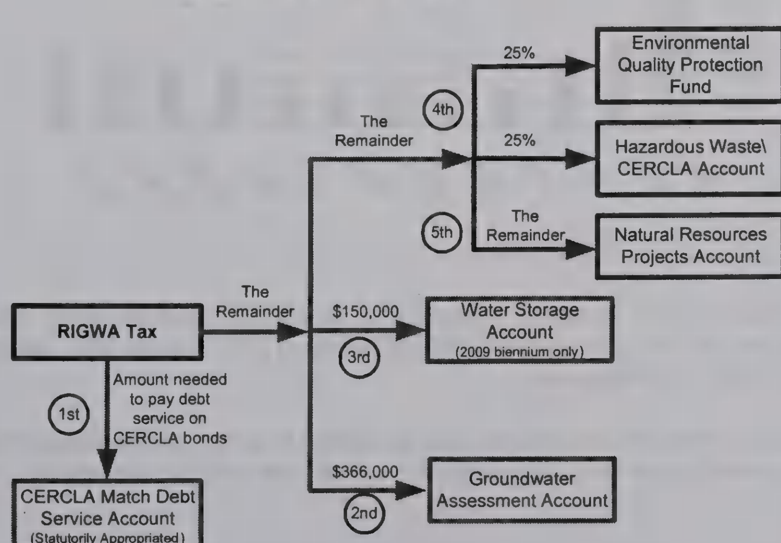
Coal: $25 plus 0.4% of the gross value of coal produced in the preceding year in excess of $6,250
Minerals: $25 plus 0.5% of the gross value of minerals (excluding gravel and metals, and excluding oil and natural gas since the resource indemnity trust has reached $100 million) produced in the preceding year in excess of $5,000
Talc: $25 plus 0.4% of the gross value of talc produced in the preceding year in excess of $625
Vermiculite: $25 plus 2.0% of the gross value of vermiculite produced in the preceding year in excess of $1,250
Limestone: $25 plus 10.0% of the gross value of limestone produced in the preceding year in excess of $250
Garnets: $25 plus 1.0% of the gross value of garnets produced in the preceding year in excess of $2,500

Distribution: Beginning fiscal 2004, the amount needed to cover debt service on CERCLA bonds (after amounts transferred from the CERCLA cost recovery account) is deposited to the CERCLA match debt service account. Beginning fiscal 2008, the remainder of RIGWA tax proceeds is distributed in the following order:

1. $366,000 each year to the ground water assessment account
2. $150,000 to the water storage account for the 2009 biennium only
3. 50.0% of the remainder split evenly between the environmental quality protection fund and the hazardous waster/CERCLA account
4. the remainder to the natural resources projects account

Distribution Chart:

Beginning Fiscal 2008



Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Summary of Legislative Action:

House Bill 678 – For all opencut mines, except those producing bentonite, a per cubic yard fee of $0.025 is collected. The legislation exempts these mines from paying the resource indemnity and groundwater assessment tax. The state special revenue collected from the new fee ($935,823 in FY 2010 and $467,912 in FY 2011) is distributed 85 percent for administration, 7.5 percent to the natural resources project account, 3.75 percent to the environmental quality protection fund, and 3.75 percent to the hazardous waste/CERCLA account. Because of the exemption from paying the resource indemnity and groundwater assessment tax, state special revenue from this tax is reduced $70,000 in FY 2010 and $70,000 in FY 2011. The legislation is effective on passage and approval.

Resource Indemnity Tax -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0678 Revise opencut mining laws			
Total Estimated General Fund Impact	$0	$0	$0

% of Total General Fund Revenue: N/A

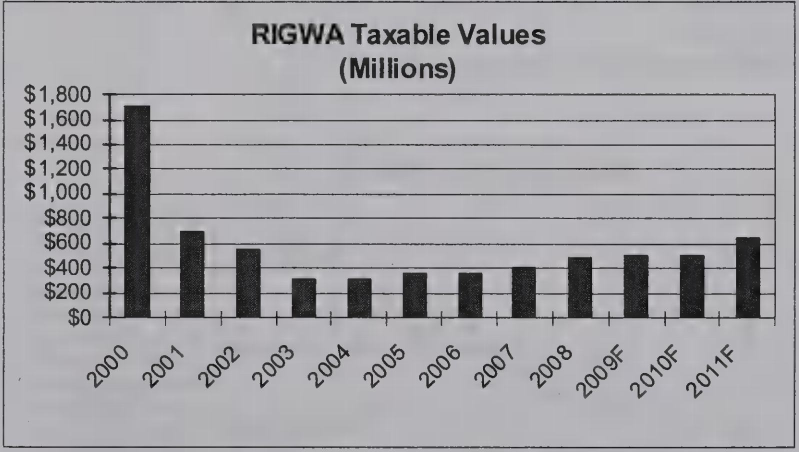
Revenue Estimate Methodology:

Data

The data used to estimate the resource indemnity and groundwater assessment (RIGWA) tax are obtained from the coal severance tax source, the property tax source, and the state accounting system (SABHRS). No adjustments are required on the raw data in preparation for analysis.

Analysis

The RIGWA tax is imposed on the gross taxable value from the production of coal and miscellaneous mines. Before fiscal 2002, when Governor Martz certified that the resource indemnity trust had reached the required principal amount of $100 million, oil and natural gas production was also taxed under RIGWA, but the oil and natural gas component of the tax ended when the trust reached the limit. The gross value estimates prepared for the coal severance tax and class 1 property tax (miscellaneous minerals) are used in the estimate for the RIGWA tax.



The future taxable value of coal, produced by all mines, is estimated in the coal severance tax source. The estimate of coal value is $364.7 million, $506.7 million, and $497.9 million in fiscal 2009 through fiscal 2011, respectively. The future taxable value of other mineral production is estimated at the FY 2008 amount.

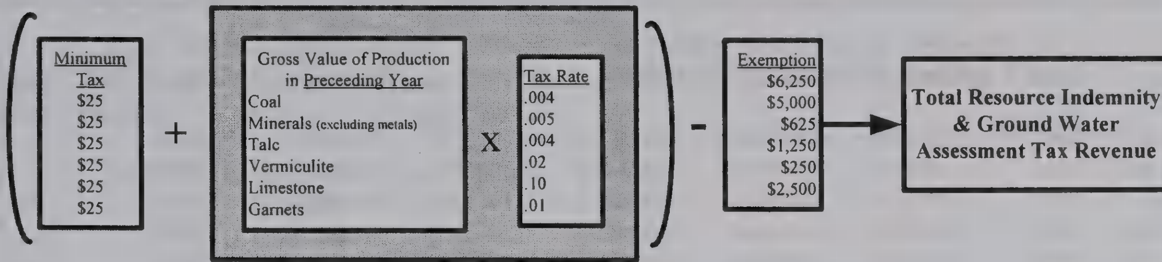
To develop the estimates for RIGWA tax collections, the tax rates are applied to the production value of each of the components, coal and other minerals. The tax estimates for the two components are summed to produce the total estimate of the RIGWA tax.

Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Oil Millions	Natural Gas Millions	Coal Millions	Metals Millions	Other Millions
Actual	2000	6.793459	0.000000	0.851792	0.159668	1.034506	0.000000	0.288596
Actual	2001	2.744480	0.000000	1.667407	0.000000	0.951681	0.001862	0.123529
Actual	2002	2.200785	0.000000	0.976477	0.000000	0.998816	0.000460	0.225031
Actual	2003	1.225610	0.000000	0.000000	0.000000	1.005490	0.000000	0.220121
Actual	2004	1.250528	0.000000	0.001614	0.000000	0.965537	0.000000	0.284991
Actual	2005	1.436378	0.000000	0.000000	0.000000	1.118400	0.000000	0.317978
Actual	2006	1.456411	0.000000	0.000000	0.000000	1.086862	0.000000	0.369549
Actual	2007	1.646918	0.000000	0.000000	0.000000	1.211936	0.000000	0.434981
Actual	2008	1.925989	0.000000	0.000000	0.000000	1.366020	0.000000	0.559970
Forecast	2009	1.987000	0.000000	0.000000	0.000000	1.426768	0.000000	0.559970
Forecast	2010	2.019000	0.000000	0.000000	0.000000	1.458942	0.000000	0.559970
Forecast	2011	2.587000	0.000000	0.000000	0.000000	2.026609	0.000000	0.559970

	t Fiscal	Trust Other Millions	Trust Metal Millions	Renewable Millions	Ground Millions	Reclamation Millions	Orphan Millions
Actual	2000	3.391472	0.000000	0.000000	0.521579	1.440204	1.440204
Actual	2001	2.205880	0.000000	0.000000	0.300000	0.119300	0.119300
Actual	2002	1.588631	0.000000	0.000000	0.300000	0.156077	0.156077
Actual	2003	0.000000	0.000000	0.000000	0.366000	0.429805	0.279805
Actual	2004	-0.000188	0.000000	0.000000	0.366000	0.442358	0.442358
Actual	2005	0.252454	0.000000	0.000000	0.113546	0.535189	0.441681
Actual	2006	0.000000	0.000000	0.000000	0.366000	0.451163	0.451162
Actual	2007	0.000000	0.000000	0.000000	0.366000	0.508562	0.508562
Actual	2008	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000
Forecast	2009	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000
Forecast	2010	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000
Forecast	2011	0.000000	0.000000	0.000000	0.366000	0.000000	0.000000

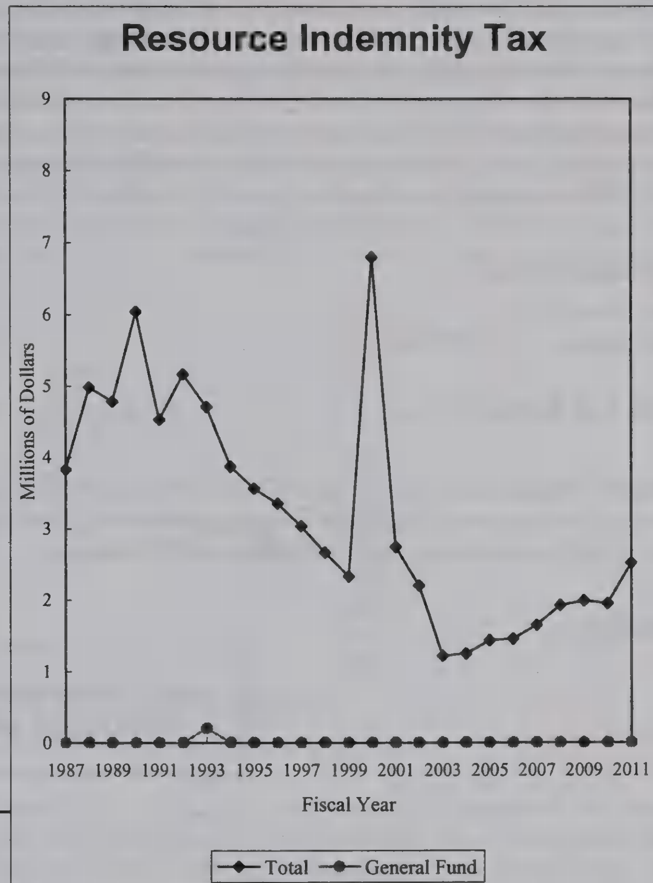
	t Fiscal	Scholarship Millions	Debt Service Millions	Water Storage Millions	Protection Fund Millions	CERCLA Account Millions	Projects Account Millions	Trust Balance Millions
Actual	2000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	3.821952
Actual	2001	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	4.979333
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	4.782041
Actual	2003	0.150000	0.000000	0.000000	0.000000	0.000000	0.000000	6.037436
Actual	2004	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	4.527135
Actual	2005	0.093508	0.000000	0.000000	0.000000	0.000000	0.000000	5.164977
Actual	2006	0.000000	0.188086	0.000000	0.000000	0.000000	0.000000	4.501162
Actual	2007	0.000000	0.263794	0.000000	0.000000	0.000000	0.000000	2.581901
Actual	2008	0.000000	0.273056	0.150000	0.283985	0.283985	0.567954	2.299375
Forecast	2009	0.000000	0.296156	0.150000	0.293711	0.293711	0.587422	1.538190
Forecast	2010	0.000000	0.296156	0.000000	0.339211	0.339211	0.678422	1.403826
Forecast	2011	0.000000	0.296156	0.000000	0.481211	0.481211	0.962422	1.024122

Total Tax = Coal + Other

Resource Indemnity Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	3.821952	0.000000	Not App.
A	1988	4.979333	0.000000	Not App.
A	1989	4.782041	0.000000	Not App.
A	1990	6.037436	0.000000	Not App.
A	1991	4.527135	0.000000	Not App.
A	1992	5.164977	0.000000	Not App.
A	1993	4.705596	0.204434	Not App.
A	1994	3.867897	0.004206	-97.94%
A	1995	3.561042	0.000078	-98.15%
A	1996	3.351177	0.000000	-100.00%
A	1997	3.036136	0.000000	Not App.
A	1998	2.666933	0.000000	Not App.
A	1999	2.331948	0.000000	Not App.
A	2000	6.793459	0.000000	Not App.
A	2001	2.744480	0.000000	Not App.
A	2002	2.200785	0.000000	Not App.
A	2003	1.225610	0.000000	Not App.
A	2004	1.250528	0.000000	Not App.
A	2005	1.436378	0.000000	Not App.
A	2006	1.456411	0.000000	Not App.
A	2007	1.646918	0.000000	Not App.
A	2008	1.925989	0.000000	Not App.
F	2009	1.987000	0.000000	Not App.
F	2010	1.949000	0.000000	Not App.
F	2011	2.517000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Description: Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0 percent of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. However due to federal legislation, during the period of October 2007 through September 2008 state shares were 48.0 percent. Federal Mineral Management Services personnel state that the budget request for the current federal fiscal year continues the reduced rate and it is assumed the reduction will continue. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

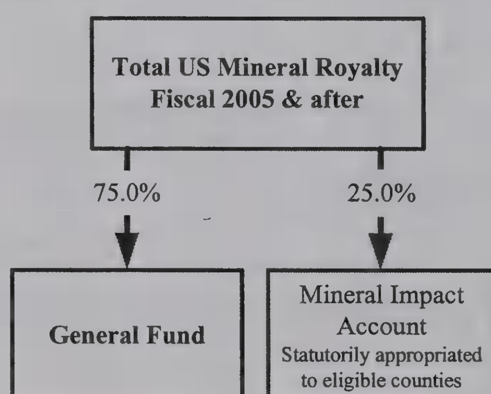
Statutory Reference:

Tax Rate – NA
Distribution – 17-3-240, MCA

Applicable Tax Rate(s): N/A

Distribution: With the enactment of Senate Bill 212 by the 2005 Legislature, receipts are deposited 75 percent to the general fund and 25 percent to the state special revenue mineral impact account. Money in the mineral impact account is statutorily appropriated for distribution to eligible counties in which the minerals were extracted.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 2.08%
FY 2005 – 1.78%
FY 2006 – 1.72%
FY 2007 – 1.54%
FY 2008 – 1.85%

Revenue Estimate Methodology:

The estimate for Montana's share of mineral royalties and other mineral related income from its federal lands is derived from estimating each of the major sources of revenue, applying the applicable royalty rate for each, and multiplying by Montana's share of the revenue.

Data

Data from which to base estimates for this revenues source have been sparse and incomplete. Up until October 2001, the Mineral Management Service of the U.S. Department of Interior had provided data used to make the estimate. However, lawsuits and court orders have stifled the flow of data since then. Only recently has yearly data been available for federal fiscal years through 2007. The current estimates rely on these data, future prices of oil and natural gas, and coal production on federal land obtained from a survey of Montana's coal companies.

Legislative Fiscal Division

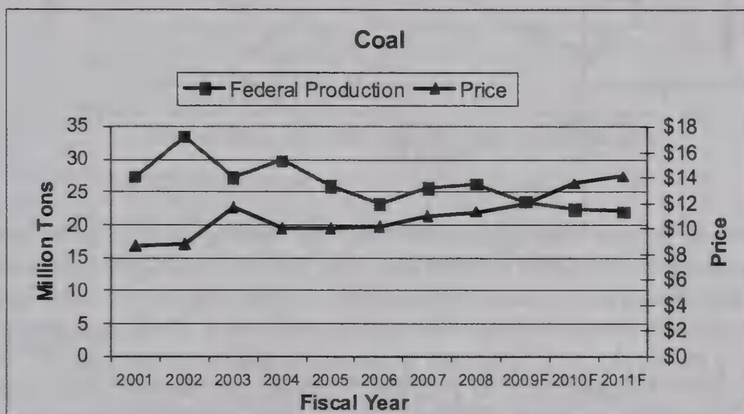
Revenue Estimate Profile

US Mineral Royalty

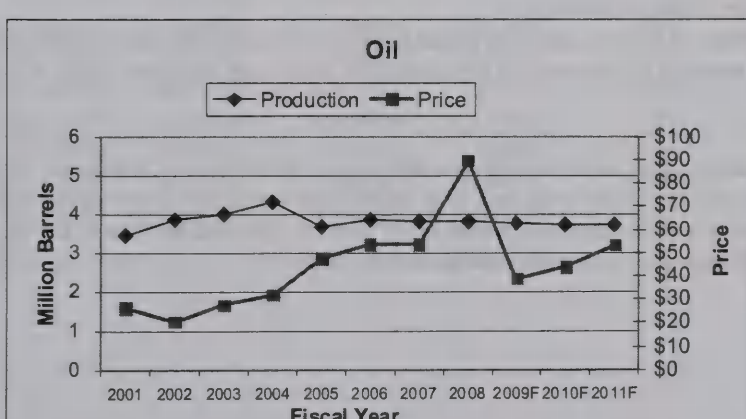
Analysis

The estimate is derived by first estimating the individual revenue components. The estimate for mineral royalties is obtained by multiplying together estimates for production, price, the applicable royalty rate, and Montana's percentage share.

- Coal – Calendar year production is estimated by multiplying the calendar year production reported by each company on the coal survey by the percent of production each anticipated to be from federal lands multiplied by a federal fiscal year conversion factor. Price is determined by calculating a federal fiscal year growth by converting the calendar year Montana contract sales price into a federal fiscal year price and determining the growth between the current and previous years. Production multiplied by price yields value. The value is then multiplied by the royalty rate for the last known federal fiscal year 2007. This royalty rate is used for all estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent (prior to the 2 percent reduction), actual receipts from calendar year 2007 indicate an actual rate of 49.6 percent. This rate is used for all estimated years.

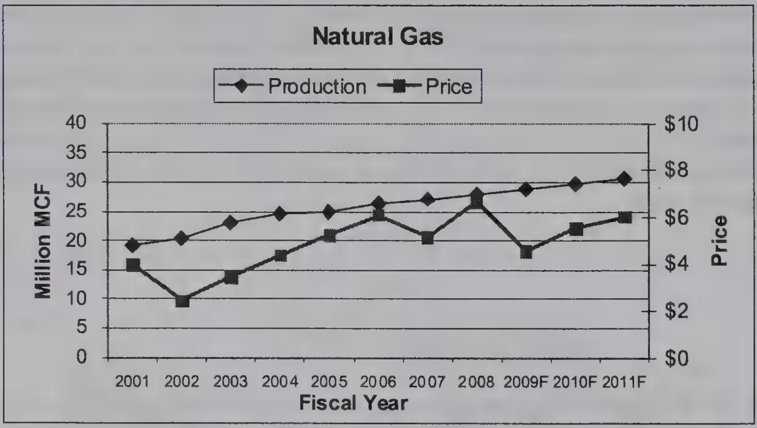


- Oil – Federal fiscal year production is estimated by multiplying the current years amount by the growth between it and the previous year. Yearly prices are determined by first averaging quarterly future prices of West Texas Intermediate oil as forecast by Global Insight, based on the federal fiscal year, for the current and previous year. Price for the current federal fiscal year is determined by multiplying current year's Global Insight price by the ratio of the previous year's estimated (or actual) price to Global Insight price for the previous year. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal fiscal year 2007 is used for all estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent (prior to the 2 percent reduction), actual receipts from calendar year 2007 indicate an actual rate of 46.2 percent. This rate is used for all estimated years.



- Natural Gas – Calendar year production is estimated by multiply the previous year's production by the growth rate of the two previous years. Yearly prices are determined by first averaging quarterly future prices of well head natural gas as forecast by Global Insight, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year's price to the previous year's estimated (or actual) price. Production multiplied by price yields

value. The value is then multiplied by the royalty rate. The actual royalty rate for federal fiscal year 2007 is used for all estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent (prior to the 2 percent reduction), actual receipts from calendar year 2007 indicate an actual rate of 47.3 percent. This rate is used for all estimated years.



- Natural Gas Liquid – Federal fiscal year production is estimated by carrying the 2007 actual amounts into all of the estimated years. Yearly prices are determined by first averaging quarterly future prices of well head natural gas as forecast by Global Insight, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year's price to the previous year's estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal fiscal year 2007 is used for all estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent (prior to the 2 percent reduction), actual receipts from calendar year 2007 indicate an actual rate of 49.8 percent. This rate is used for all estimated years.
- Methane – Federal fiscal year production is estimated by carrying the 2007 actual amounts into all of the estimated years. Yearly prices are determined by first averaging quarterly future prices of national well head natural gas as forecast by Global Insight, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year's price to the previous year's estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal fiscal year 2007 is used for all estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent (prior to the 2 percent reduction), actual receipts from calendar year 2007 indicate an actual rate of 36.3 percent. This rate is used for all estimated years.
- Other Royalty – No other royalty is anticipated.
- Rents, Bonuses, and Other – The amounts from actual federal fiscal year 2007 are used for all estimated years. To obtain Montana's share, these amounts are adjusted by the ratio of the last known Montana's amount to the last known total revenue.

Adjustments and Distribution

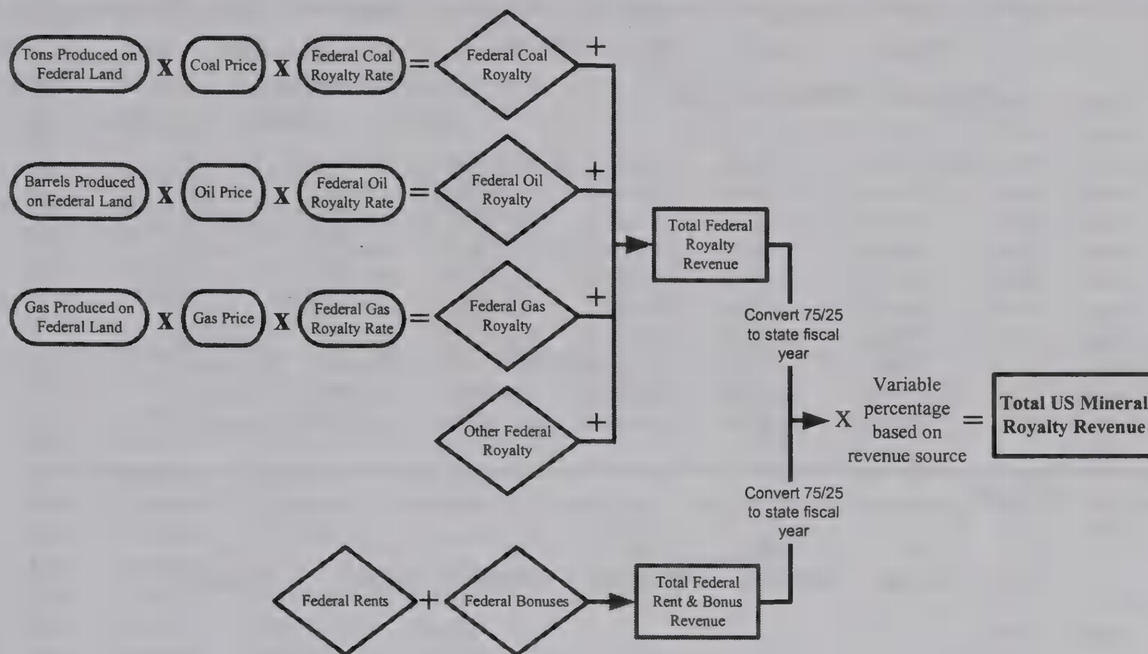
Since the estimates are based on the federal fiscal year and on a distribution percentage of 50 percent, two adjustments are required: 1) to convert to a state fiscal year a 25/75 split is used; and 2) to capture the anticipated two percent reduction in distribution, the 50 percent distribution is backed out from the totals and replaced by 48 percent. The total amount of anticipated revenue is distributed 75 percent to the general fund and 25 percent to the state special revenue fund.

Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	One-Time Settlement Millions	Mineral Impact Millions	GF Allocation Percent
Actual	2000	19.242954	19.242954			
Actual	2001	31.007874	31.007874	6.038000		
Actual	2002	19.772193	19.772193	0.000000		
Actual	2003	25.989828	25.989828	0.000000		
Actual	2004	28.736303	28.736303	0.000000		
Actual	2005	36.391633	27.293725	0.000000	9.097908	75.00%
Actual	2006	39.071469	29.303602	0.000000	9.767867	75.00%
Actual	2007	37.627625	28.220719	0.000000	9.406906	75.00%
Actual	2008	48.518079	36.388559	0.000000	12.129520	75.00%
Forecast	2009	33.314000	24.986000	0.000000	8.329000	75.00%
Forecast	2010	37.832000	28.374000	0.000000	9.458000	75.00%
Forecast	2011	41.415000	31.061000	0.000000	10.354000	75.00%

US Mineral Royalty

	t Cal	Oil Barrels	Coal Tons	Gas MCF's	Oil Price	Coal Price	Gas Price
Actual	2000						
Actual	2001						
Actual	2002	3.862811	33.491273	20.391778	20.655800	8.794516	2.417834
Actual	2003	3.974831	27.206486	23.003369	27.508280	11.709884	3.445458
Actual	2004	4.295711	29.780631	24.537832	31.980751	10.053941	4.355901
Actual	2005	3.679243	25.938193	24.766597	47.473867	10.040273	5.214713
Actual	2006	3.844671	23.192308	26.324243	53.695739	10.122990	6.086452
Actual	2007	3.816472	25.579860	27.127282	53.649261	10.954688	5.165048
Actual	2008	3.788480	25.846250	27.954818	89.398750	11.306980	6.676386
Forecast	2009	3.760693	23.608250	28.807599	35.193013	11.991471	3.812164
Forecast	2010	3.733110	22.447750	29.686395	37.802941	13.537771	4.760010
Forecast	2011	3.705729	22.040750	30.591999	48.119809	14.074503	5.307212

	t Cal	Oil Roy. Rate	Coal Roy. Rate	Gas Roy. Rate	Oil Revenue	Coal Revenue	Gas Revenue
Actual	2000						
Actual	2001						
Actual	2002	0.113443	0.116053	0.124149	9.051530	34.182163	6.121055
Actual	2003	0.113266	0.117664	0.123688	12.384542	37.485837	9.803198
Actual	2004	0.111631	0.114227	0.120545	15.335865	34.200945	12.884411
Actual	2005	0.108074	0.121958	0.116781	18.877129	31.761055	15.082359
Actual	2006	0.111309	0.122188	0.112109	22.978867	28.686728	17.962305
Actual	2007	0.110286	0.121099	0.111545	22.581177	33.934181	15.629039
Actual	2008	0.110286	0.121099	0.111545	37.352255	35.390339	20.818442
Forecast	2009	0.110286	0.121099	0.111545	14.596365	34.282842	12.249793
Forecast	2010	0.110286	0.121099	0.111545	15.563840	36.801078	15.762149
Forecast	2011	0.110286	0.121099	0.111545	19.666086	37.566436	18.110248

	t Cal	Other Royalty	Rent&Bonus Revenue	Other Revenue	Total Revenue	State Share	State Share Percent
Actual	2000						
Actual	2001						
Actual	2002	0.680620	3.182765	0.293468	53.511601	22.328620	0.417267
Actual	2003	1.017980	7.105370	1.572410	69.369337	25.535373	0.368107
Actual	2004	0.505445	5.008854	1.800082	69.735602	30.294622	0.434421
Actual	2005	4.413216	4.751567	0.975580	75.860906	35.406360	0.466727
Actual	2006	4.013599	4.616071	1.096967	79.354537	38.000735	0.478873
Actual	2007	2.637757	5.049745	1.094695	80.926594	38.918463	0.480911
Actual	2008	3.536621	5.049745	1.094695	103.242097	47.734891	0.462359
Forecast	2009	2.019382	5.049745	1.094695	69.292822	33.180487	0.478845
Forecast	2010	2.521476	5.049745	1.094695	76.792983	37.061944	0.482621
Forecast	2011	2.811341	5.049745	1.094695	84.298551	40.557846	0.481122

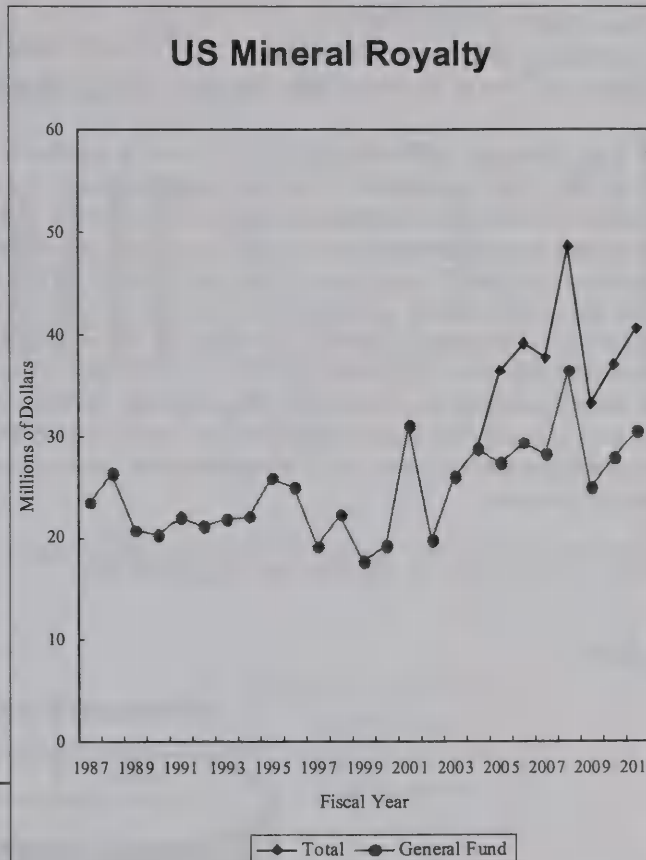
Total Rev. = (Oil Barrels * Oil Price * Oil Roy. Rate + Coal Tons * Coal Price * Coal Roy. Rate + Gas MCF's * Gas Price * Gas Roy. Rate + Other Royalty + Rent&Bonus Revenue + Other Revenue) * State Share

GF Rev. = Total Rev * GF Allocation

US Mineral Royalty

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	23.433021	23.433021	Not App.
A	1988	26.327798	26.327798	12.35%
A	1989	20.727404	20.727404	-21.27%
A	1990	20.240644	20.240644	-2.35%
A	1991	21.928394	21.928394	8.34%
A	1992	21.150278	21.150278	-3.55%
A	1993	21.799728	21.799728	3.07%
A	1994	22.052161	22.052161	1.16%
A	1995	25.847747	25.847747	17.21%
A	1996	24.958952	24.958952	-3.44%
A	1997	19.161163	19.161163	-23.23%
A	1998	22.240950	22.240950	16.07%
A	1999	17.650315	17.650315	-20.64%
A	2000	19.242954	19.242954	9.02%
A	2001	31.007874	31.007874	61.14%
A	2002	19.772193	19.772193	-36.23%
A	2003	25.989828	25.989828	31.45%
A	2004	28.736303	28.736303	10.57%
A	2005	36.391633	27.293725	-5.02%
A	2006	39.071469	29.303602	7.36%
A	2007	37.627625	28.220719	-3.70%
A	2008	48.518079	36.388559	28.94%
F	2009	33.180000	24.885000	-31.61%
F	2010	37.061000	27.796000	11.70%
F	2011	40.557000	30.418000	9.43%



Revenue Description: The wholesale energy transaction tax, enacted by the 1999 Legislature (HB 174 effective January 1, 2000) is imposed on the amount of electricity transmitted by a transmission services provider in the state.

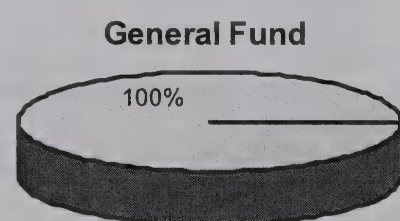
Statutory Reference:

Tax Rate (MCA) – 15-72-104(1)
Tax Distribution (MCA) – 15-72-106(3)
Date Due – 30th day of the month following the end of the calendar quarter (15-72-110)

Applicable Tax Rate(s): The tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted (or \$0.15 per megawatt). If the electricity is produced in-state and sold out-of-state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider. The tax does not apply to: 1) electricity that is transmitted through the state that is neither produced nor consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB 390 (1997 legislature); 4) electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; 6) electricity that has been subject to the transmission tax in another state; and 7) a 5 percent line loss exemption for transmission of electricity produced in the state for delivery outside of the state.

Distribution: All proceeds are deposited into the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.24%
FY 2005 – 0.22%
FY 2006 – 0.22%
FY 2007 – 0.20%
FY 2008 – 0.20%

Revenue Estimate Methodology:

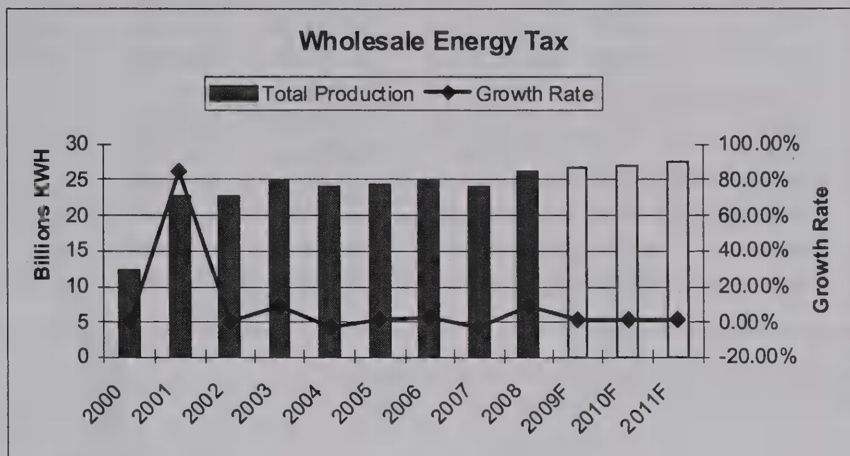
The wholesale energy transaction tax is applied to the number of kilowatt hours transmitted less five percent for line loss on out-of-state transmissions. The estimate for the tax revenue is derived by estimating the annual taxable kilowatt hours transmitted for each company and any company anticipated to be transmitting within the 3-year period in question. From these estimates, the tax rate is applied. Since all kilowatt hours transmitted is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

Data

All energy transmitting companies are surveyed for anticipated kilowatt hours transmitted, anticipated new transmissions, anticipated downtime or reduced transmission, and a percentage split between in-state and out-of-state transmissions. Results of the survey were incomplete and were not used in the estimate. Data from quarterly reports produced by DOR provide a history of in-state and out-of-state kilowatt hours transmitted by each individual company.

Analysis

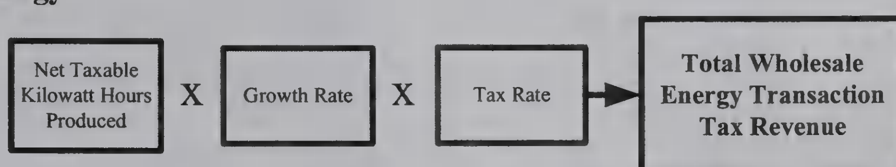
A number of different techniques can be used to develop the revenue estimate for this source. Choosing a technique depends on whether the technique passes the "reasonable" test. The technique based on historical data was used in this analysis. A growth rate based on total yearly production from FY 2001 to FY 2008 is applied to FY 2008 actual amounts for both in-state and out-of-state production. The totals are added for each year and allowable line loss is calculated and subtracted from the yearly total. Net taxable kilowatt hours are multiplied by the tax rate to derive total revenue from this source.



Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentage, 100 percent to the general fund, is applied.

Forecast Methodology



Revenue Estimate Assumptions:

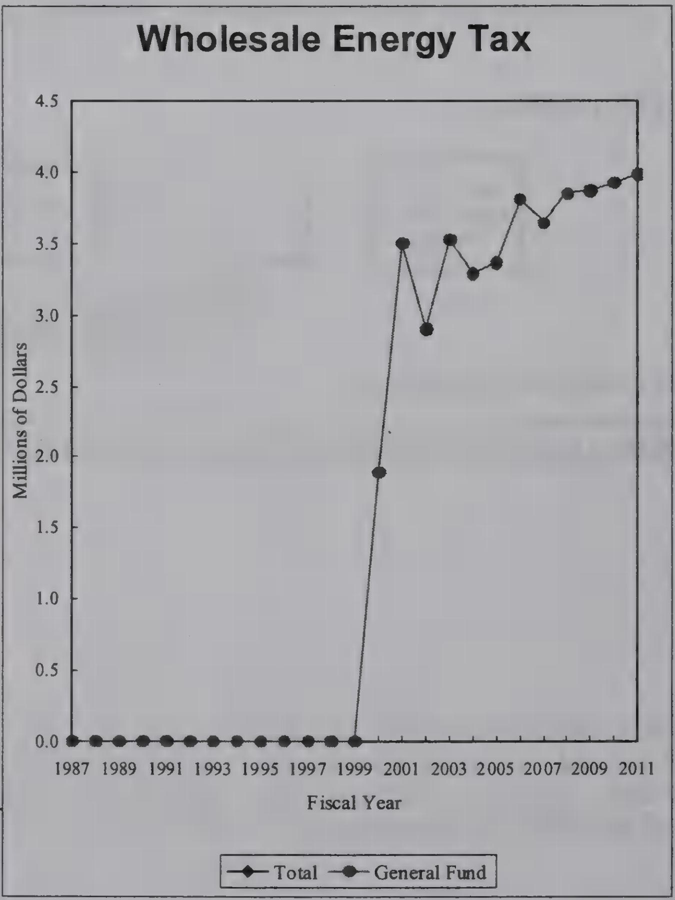
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	KWH Fiscal Millions	Line Loss Fiscal Millions	Credits Millions	Tax Rate
Actual	2000	1.894704	1.894704	12273.924051	373.483823	0.000000	0.000150
Actual	2001	3.503427	3.503427	22658.110488	673.956373	0.000000	0.000150
Actual	2002	2.906263	2.906263	22775.157501	697.796150	0.000000	0.000150
Actual	2003	3.532056	3.532056	24780.402486	730.789478	0.000000	0.000150
Actual	2004	3.292659	3.292659	23961.126405	725.187200	0.000000	0.000150
Actual	2005	3.370263	3.370263	24326.536427	749.863350	0.000000	0.000150
Actual	2006	3.813495	3.813495	24870.822230	758.471450	0.000000	0.000150
Actual	2007	3.651024	3.651024	24070.520901	709.589400	0.000000	0.000150
Actual	2008	3.856112	3.856112	26192.843079	796.685100	0.000000	0.000150
Forecast	2009	3.870000	3.870000	26606.873350	809.278301	0.000000	0.000150
Forecast	2010	3.931000	3.931000	27027.448197	822.070564	0.000000	0.000150
Forecast	2011	3.993000	3.993000	27454.671071	835.065033	0.000000	0.000150

Total Tax = (KWH Fiscal - Line Loss Fiscal) * Tax Rate - Credits
GF Tax = Total Tax

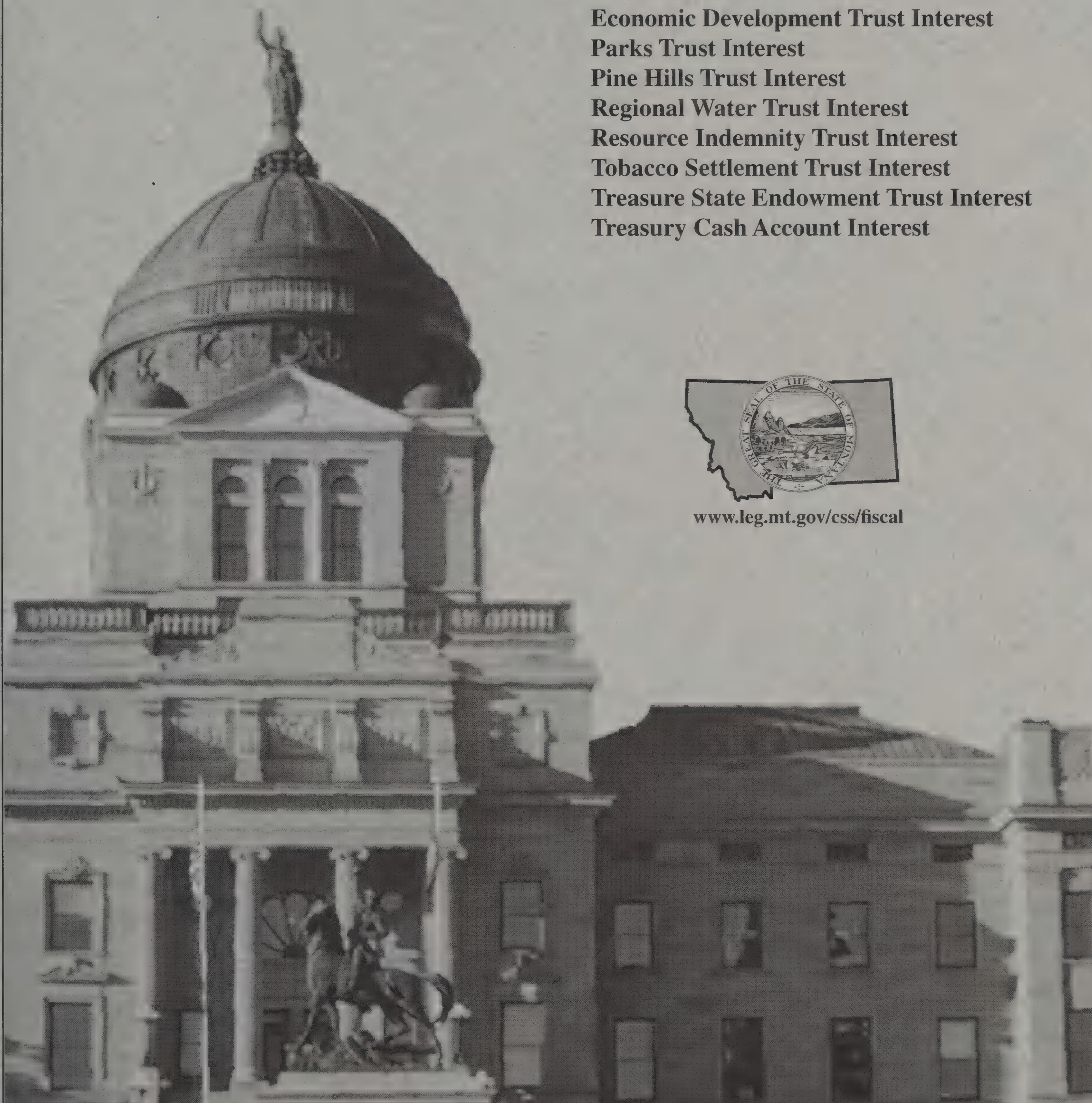
Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	1.894704	1.894704	Not App.
A	2001	3.503427	3.503427	84.91%
A	2002	2.906263	2.906263	-17.05%
A	2003	3.532056	3.532056	21.53%
A	2004	3.292659	3.292659	-6.78%
A	2005	3.370263	3.370263	2.36%
A	2006	3.813495	3.813495	13.15%
A	2007	3.651024	3.651024	-4.26%
A	2008	3.856112	3.856112	5.62%
F	2009	3.870000	3.870000	0.36%
F	2010	3.931000	3.931000	1.58%
F	2011	3.993000	3.993000	1.58%



Interest Earnings

Capital Land Grant
Coal Trust Interest
Common School Interest & Income
Cultural & Aesthetics Trust Interest
Deaf & Blind Trust Interest
Economic Development Trust Interest
Parks Trust Interest
Pine Hills Trust Interest
Regional Water Trust Interest
Resource Indemnity Trust Interest
Tobacco Settlement Trust Interest
Treasure State Endowment Trust Interest
Treasury Cash Account Interest



www.leg.mt.gov/css/fiscal

Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

Revenue Description: Lands granted by the federal government to the state generate income from a variety of sources. Section 12 of the *Enabling Act* requires that income generated on certain sections of federally granted land be used for public buildings at the state capital for construction, repair, renovation, and other permanent improvements of state buildings. Capital land grant funds can also be used for the acquisition of land for such buildings, as well as the payment of principal and interest on bonds issued for any of these purposes.

Non-permanent sources of revenue generated from capital land grant lands include: grazing fees, agricultural fees, miscellaneous fees and rentals, and oil and natural gas leases and penalties. Senate Bill 65, enacted by the 2009 Legislature, allows an amount up to 25 percent of revenue to be diverted to the trust land administration account to fund DNRC administrative costs. Permanent sources of revenue generated from capital land grant lands include timber sales and oil and natural gas royalties. A portion of timber sale revenue is also diverted to DNRC for administration.

Statutory Reference:

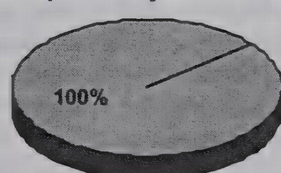
Tax Rate – NA
Tax Distribution (MCA) – 18-2-107
Enabling Act, Sections 10, 12 & 17
Other (MCA) – DNRC trust land administration diversion (77-1-108 & 109)
DNRC land bank administration diversion (77-2-362)

Applicable Tax Rate(s): N/A

Distribution: After diversions for DNRC administration, all remaining capital land grant income is deposited into a capital projects fund to be used for projects on the state capital complex in accordance with the provisions of Section 12 of the *Enabling Act*.

Distribution Chart:

Capital Projects Fund



Summary of Legislative Action:

Senate Bill 65 – This legislation makes numerous fiscal changes that affect the various land trusts and how revenues are distributed and used and how administrative costs are funded. Affected land trusts include the common school, capital land grant, deaf and blind, and pine hills. Four state special revenue accounts that had previously received portions of various income components that funded specific activities are eliminated. These accounts are: 1) resource development; 2) state timber sale; 3) state lands recreational use; and 4) commercial leasing. Balances in these accounts at the end of FY 2009 are transferred by September 2009 to the earnings reserve account (discussed below). All activities that had been funded by these accounts will now be funded from the trust land administration state special revenue account. Up to an amount of revenue equal to 25 percent of distributable revenue generated from each trust (except revenue from the forest improvement fee) in the fiscal year completed prior to a legislative session is deposited to the account to be appropriated by the legislature. This revenue can be derived from: 1) distributable revenue; 2) sale of easements; 3) timber, except from public school and Montana university system lands; 4) mineral royalties; and 5) fees from sales of state lands except lands granted by the Morrill Act. If the amount of revenue deposited to the trust land administration account for a specific land trust exceeds that trust's administrative costs, up to 1/3 of the excess revenue (excluding revenue from sales of easements, sale of timber, mineral royalties, non-distributable sources, and the $80,000 biennial transfer of general fund) may be transferred to the newly established earnings reserve state special revenue account at the end of a fiscal year. Money in this account may be used if revenue deposits to the trust land administration account are insufficient to fund costs. The remaining revenue must be transferred to the trust's permanent fund. The balance in the earnings reserve account may not exceed twice the appropriation to the trust land administration account for the last completed fiscal year prior to a legislation session. Costs and revenue deposits must be identified and accounted for by trust.

Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

For the capital land grant trust, revenue to the capital projects account decreases $204,010 in FY 2010 and $205,085 in FY 2011 because administrative costs of the trust will no longer be subsidized by the common school trust. Because balances of the accounts eliminated by the legislation are to be deposited proportionally to the earnings reserve account for the land trust from which the revenue was derived, the capital land grant trust earnings reserve account receives $29,113 in FY 2010. The legislation is effective July 1, 2009.

Capital Land Grant Interest and Income -- Legislation Passed by 61st Legislature Estimated State Special Revenue Impact for Fiscal 2009,2010,2011			
Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
SB0065 Revise trust land funding laws		(174,897)	(205,085)
Total Estimated State Special Revenue Fund Impact	$0	($174,897)	($205,085)

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

The estimate for interest and income from the capital land grant trust is conducted with the goal of deriving the net amount of revenue that will be distributed to the trust beneficiary. This means that in addition to estimating the various revenues from the capital land grant trust, estimates of the various diversions that reduce the amount of revenue deposited to the capital program fund must also be estimated. Therefore, the estimated amounts shown for this revenue source are not total revenues, but are net of diversions. Since all of the trust income is distributed, the trust has no monetary corpus.

Data

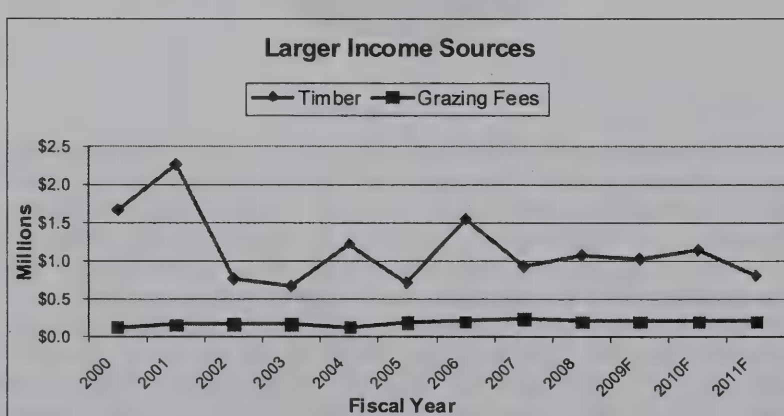
Data from SABHRS provide a history of each individual interest and income revenue component from which estimates can be made. Department of Natural Resources and Conservation (DNRC) annual reports provide additional information such as mineral prices and production. Budget submissions on the state budgeting system (MBARS) provide anticipated amount of diversions.

Analysis

The estimate is derived by first estimating the revenue components and then estimating the amounts of the diversions.

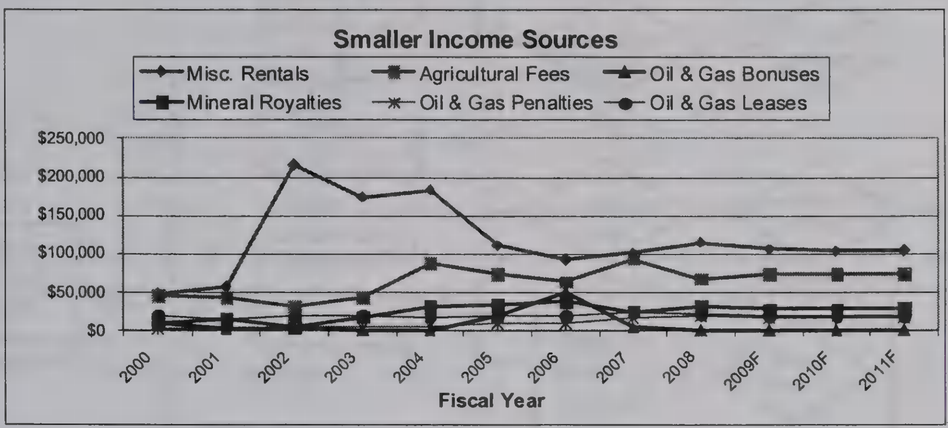
Revenue Components

1. Timber – Estimates of timber harvest from capital land grant trust lands are taken directly from DNRC estimates.
2. Grazing Fees – Rates are tied to the price of cattle. Cattle prices are expected to be close to those experienced in FY 2008, perhaps slightly less. DNRC personnel anticipate the grazing fee revenue will be similar to FY 2008.



3. Miscellaneous Rentals - These are small income components that are combined and estimated together. For each fiscal year estimated, the estimate is based on the average annual growth rate of the previous four years with the highest and lowest amounts removed.
4. Agricultural Fees - Fees are based on a crop share basis. Commodity prices are expected to be higher than FY 2008 resulting in greater returns. DNRC personnel anticipate that overall revenue will be higher than FY 2008 levels (see the figure below). Based on this information, revenues are increased in FY 2009 and remain constant through FY 2010 and FY 2011.

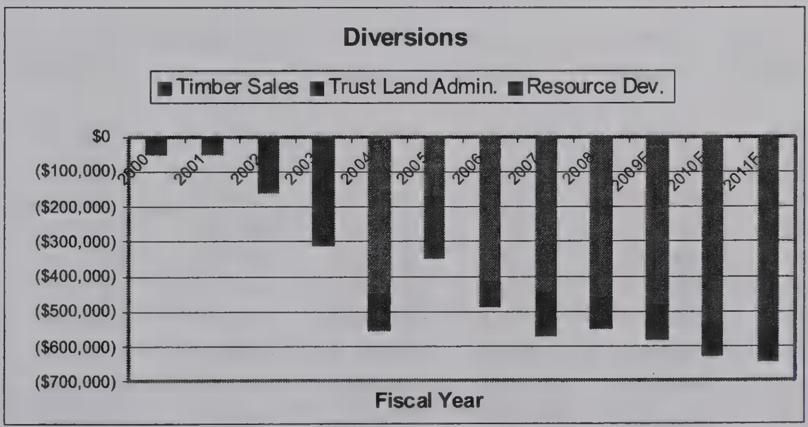
5. Oil & Gas Bonuses - With record highs in energy prices, competition to obtain mineral leases has increased, resulting in larger bonus payments. Estimates continue the amount received in fiscal 2008.
6. Oil & Gas Leases – For each fiscal year estimated, the estimate is the average of the previous nine years with the highest and lowest years discarded.
7. Mineral Royalties – Mineral royalties are received from oil and natural gas. Oil royalties are estimated by increasing the previous fiscal year's production by the growth rate obtained from average annual growth from for the previous 13 years with the highest and lowest years discarded. For natural gas royalties, estimates continue at the amount received in fiscal 2008.
8. Oil & Gas Penalties – For each fiscal year estimated, the estimate is the average of the previous two years.



Diversions

Diversions fund operational costs in DNRC, but reduce the amount of revenue distributed to the trust beneficiaries (see the figure below). To determine future diversion amounts, DNRC's present law budget amounts are used.

1. Trust Land Administration Account – Of the total expenditures requested to be made from this account, a portion is funded by capital land grant trust revenue. That portion is determined by multiplying current year revenue estimates by the ratio of FY 2008 costs to FY 2007 revenue. In fiscal 2008, the capital land grant trust funded 2.0 percent of total expenditures.
2. Timber Sales Account – A portion of timber sale revenue from the capital land grant trust is used to fund costs associated with the timber sale program on the trust lands. Other trusts with timber revenue also pay into this account. The portion each pays is the ratio of its timber sale revenue to the total state-wide timber sale revenue multiplied by the total cost of the program. This division reduced permanent revenue that would have been deposited to the trust.
3. Resource Development Account – Three percent of all income from the trust is diverted to an account to fund resource development on the trust lands. Mineral royalties are excluded.



Adjustments and Distribution

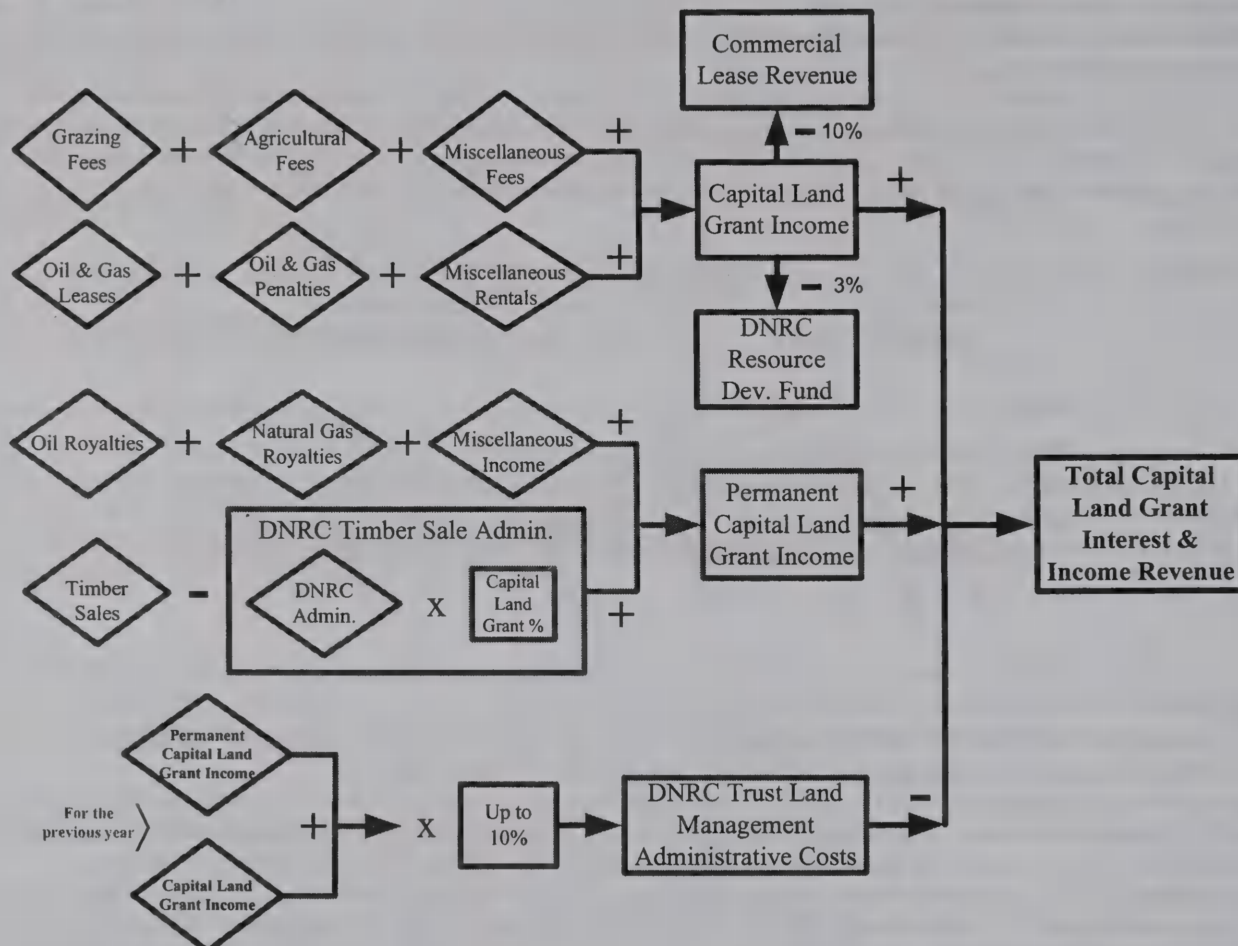
Once total revenue and total diversions have been estimated, the net amounts are distributed 100 percent to the capital project fund.

Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Capital Land Share T&L
Actual	2000	1.920809	0.000000			0.000000
Actual	2001	2.527118	0.000000			0.000000
Actual	2002	1.065036	0.000000	29.627056	0.102664	0.000000
Actual	2003	0.808807	0.000000	29.146744	0.068370	0.000000
Actual	2004	1.976678	0.000000	30.087011	0.053502	0.000000
Actual	2005	0.853171	0.000000	28.106281	0.269698	0.000000
Actual	2006	1.589963	0.000000	24.428206	0.408162	0.000000
Actual	2007	0.870700	0.000000	26.206838	0.267652	0.000000
Actual	2008	0.982735	0.000000	25.159580	0.128925	0.000000
Forecast	2009	0.898000	0.000000	24.474900	0.060973	0.000000
Forecast	2010	0.966000	0.000000	24.546204	0.048298	0.000000
Forecast	2011	0.617000	0.000000	24.620244	0.403768	0.000000

	t Fiscal	Trust Income New Deposit Millions	Trust Land Admin. Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2000	10.969295		7.0160%	5.4290%	11.676486
Actual	2001	12.667780	-0.048140	6.8850%	4.7390%	6.984553
Actual	2002	2.348339	-0.151480	6.3380%	2.5650%	7.334239
Actual	2003	2.363355	-0.305417	5.7290%	1.3600%	6.242273
Actual	2004	2.971526	-0.098964	5.3650%	1.2650%	7.049634
Actual	2005	1.457756	-0.172683	5.1940%	2.3870%	12.106697
Actual	2006	1.425106	-0.062659	5.2340%	4.0770%	3.862666
Actual	2007	7.173844	-0.114745	5.4050%	4.7290%	14.953757
Actual	2008	3.101654	-0.085035	5.3180%	3.1650%	2.461097
Forecast	2009	1.410837	-0.090509	5.0540%	1.0530%	2.461097
Forecast	2010	1.522214	-0.087293	4.8640%	0.5620%	2.461097
Forecast	2011	15.558806	-0.093992	5.1560%	1.5650%	2.461097

	t Fiscal	Grazing Millions	Agriculture Millions	Misc. Millions	O&G Lease Millions	O&G Bonus Millions	O&G Penalty Millions	Misc. Millions
Actual	2000	0.132580	0.044452	0.000000	0.019153	0.009104	0.002343	0.048046
Actual	2001	0.159924	0.043153	0.000000	0.013722	0.002980	0.003287	0.057476
Actual	2002	0.173945	0.030825	0.000000	0.018286	0.002180	0.004428	0.215148
Actual	2003	0.170050	0.043195	0.000000	0.018497	0.001020	0.004170	0.173664
Actual	2004	0.132298	0.088177	0.000000	0.017818	0.000000	0.005399	0.183365
Actual	2005	0.197466	0.073605	0.000000	0.019107	0.018820	0.008633	0.110300
Actual	2006	0.210403	0.063134	0.000000	0.019001	0.050616	0.010166	0.091908
Actual	2007	0.238825	0.093304	0.000000	0.024241	0.003840	0.016487	0.100922
Actual	2008	0.206167	0.067380	0.000000	0.021340	0.000040	0.018223	0.114930
Forecast	2009	0.206167	0.072866	0.000000	0.019029	0.000040	0.017355	0.105611
Forecast	2010	0.206167	0.072866	0.000000	0.019011	0.000040	0.017789	0.103267
Forecast	2011	0.206167	0.072866	0.000000	0.019182	0.000040	0.017572	0.104439

Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

	t Fiscal	Int. Land Millions	Int. STIP Millions	Int. Trust Millions	Res. Dev. Millions	Lease Total Millions	Timber Cost Millions
Actual	2000	0.000000	0.000000	0.000000	-0.007670	0.248008	
Actual	2001	0.000000	0.000000	0.000000	-0.008268	0.272274	
Actual	2002	0.000000	0.000000	0.000000	-0.008838	0.435974	
Actual	2003	0.000000	0.000000	0.000000	-0.009311	0.401285	0.000000
Actual	2004	0.000000	0.000000	0.000000	-0.012622	0.414435	-0.448435
Actual	2005	0.000000	0.000000	0.000000	-0.009255	0.418676	-0.168515
Actual	2006	0.000000	0.000000	0.000000	-0.012793	0.432435	-0.412498
Actual	2007	0.000000	0.000000	0.000000	-0.013814	0.463805	-0.445082
Actual	2008	0.000000	0.000000	0.000000	-0.012794	0.415286	-0.456737
Forecast	2009	0.000000	0.000000	0.000000	-0.012632	0.408436	-0.481355
Forecast	2010	0.000000	0.000000	0.000000	-0.012574	0.406566	-0.530623
Forecast	2011	0.000000	0.000000	0.000000	-0.012608	0.407658	-0.540021

	t Fiscal	Oil Roy. Millions	Gas Roy. Millions	Timber Millions	Misc. Millions	Perm. Total Millions
Actual	2000	0.004394	0.004489	1.675671	0.028247	1.712801
Actual	2001	0.005659	0.008068	2.278363	0.010894	2.302984
Actual	2002	0.003264	0.002190	0.769197	0.005891	0.780542
Actual	2003	0.004461	0.013330	0.671819	0.023329	0.712939
Actual	2004	0.003492	0.027817	1.231369	0.846964	1.661207
Actual	2005	0.005271	0.027867	0.712329	0.030226	0.607178
Actual	2006	0.005020	0.033062	1.558251	0.036352	1.220187
Actual	2007	0.006658	0.018361	0.933816	0.007887	0.521640
Actual	2008	0.008281	0.023358	1.072080	0.005502	0.652484
Forecast	2009	0.004046	0.023358	1.027525	0.006695	0.580269
Forecast	2010	0.004195	0.023358	1.143669	0.006099	0.646698
Forecast	2011	0.004359	0.023358	0.808925	0.006397	0.303018

Total Rev. = Grazing + Agriculture + O&G Lease + O&G Bonus + O&G Penalty + Misc. + Int. Land + Int. Stip + Int. Trust + Timber + Res. Dev. + Oil Roy. + Gas Roy. + Timber + Misc. + Timber Cost + Trust Land Admin.

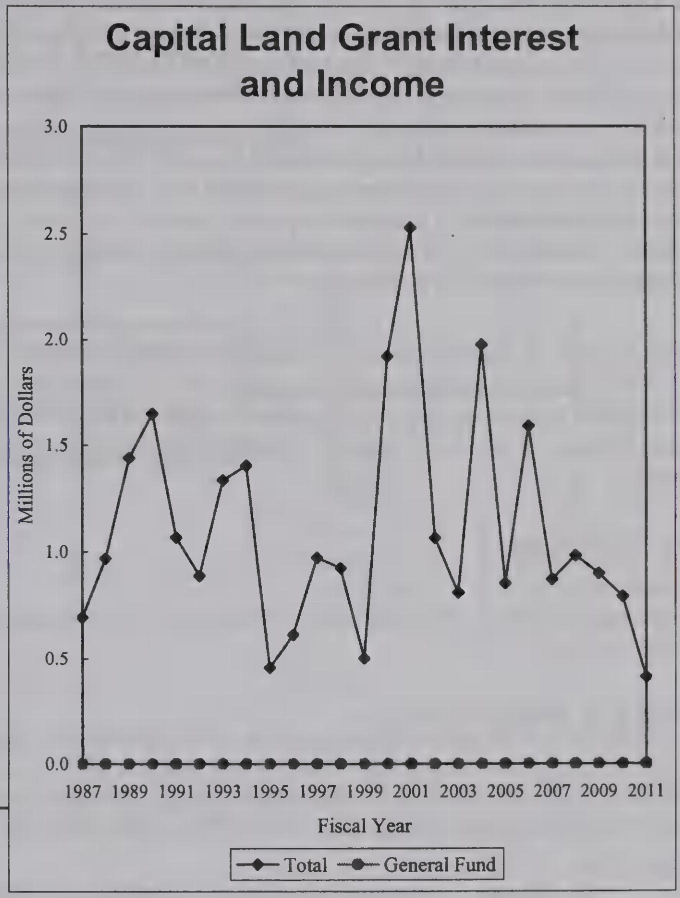
Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.690287	0.000000	Not App.
A	1988	0.967858	0.000000	Not App.
A	1989	1.440037	0.000000	Not App.
A	1990	1.648885	0.000000	Not App.
A	1991	1.066001	0.000000	Not App.
A	1992	0.886821	0.000000	Not App.
A	1993	1.334933	0.000000	Not App.
A	1994	1.403414	0.000000	Not App.
A	1995	0.456415	0.000000	Not App.
A	1996	0.610531	0.000000	Not App.
A	1997	0.971616	0.000000	Not App.
A	1998	0.923234	0.000000	Not App.
A	1999	0.500461	0.000000	Not App.
A	2000	1.920809	0.000000	Not App.
A	2001	2.527118	0.000000	Not App.
A	2002	1.065036	0.000000	Not App.
A	2003	0.808807	0.000000	Not App.
A	2004	1.976678	0.000000	Not App.
A	2005	0.853171	0.000000	Not App.
A	2006	1.589963	0.000000	Not App.
A	2007	0.870700	0.000000	Not App.
A	2008	0.982735	0.000000	Not App.
F	2009	0.898000	0.000000	Not App.
F	2010	0.791000	0.000000	Not App.
F	2011	0.412000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Revenue Description: Article IX, Section 5 of the Montana Constitution requires that 50.0 percent of all coal severance tax revenue be deposited in a permanent coal trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. With the enactment of House Bill 249 by the 2005 Legislature, beginning fiscal 2006 the remaining funds are then split 50 percent (25 percent of total revenue) to the treasure state endowment trust fund, 25 percent (12.5 percent of total revenue) to the treasure state endowment regional water system trust fund, and 25 percent (12.5 percent of total revenue) to the big sky economic development trust fund. The permanent trust fund no longer receives coal severance tax revenue. By statute, interest earned on the permanent trust that is not earmarked to other programs is deposited to the general fund. When calculating interest earnings, the impact of loans made from the trust, such as the in-state investment program, is taken into account.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created trust fund bond pool (TFBP). The majority of permanent coal tax trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's short-term investment pool (STIP). In addition, state law provides that trust funds may be used for in-state commercial loans to stimulate economic development. The state Constitution prohibits the investment of the permanent trust in common stock.

Statutory Reference:

Tax Rate - NA
Distribution (MCA) - Montana Constitution, Article IX, Section 5; 17-5-704; 15-35-108
Date Due - NA

Applicable Tax Rate(s): N/A

Distribution: Interest earned on the permanent coal tax trust fund is deposited into the general fund. Statute further annually statutorily appropriates interest income from $140 million of the coal severance tax permanent fund as follows:

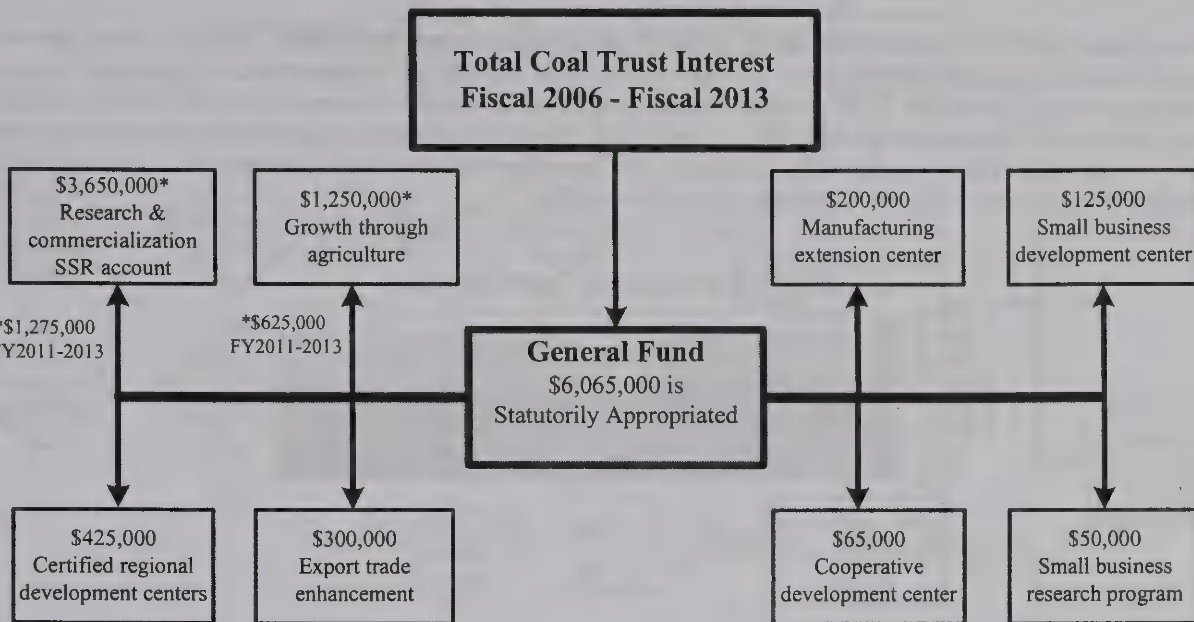
Fiscal 2006 - 2010

$3,650,000 – to the research and commercialization state special revenue account
$1,250,000 – for the growth through agriculture program
$425,000 – to the Department of Commerce for certified regional development corporations
$300,000 – to the Department of Commerce for export trade enhancement
$200,000 – to the Department of Commerce for the Montana manufacturing extension center at MSU-Bozeman
$125,000 – to the Department of Commerce for a small business development center
$65,000 – to the Cooperative Development Center
$50,000 – to the Department of Commerce for a small business innovative research program
$6,065,000

Fiscal 2011 - 2013

$1,275,000 – to the research and commercialization state special revenue account
$625,000 – for the growth through agriculture program
$425,000 – to the Department of Commerce for certified regional development corporations
$300,000 – to the Department of Commerce for export trade enhancement
$200,000 – to the Department of Commerce for the Montana manufacturing extension center at MSU-Bozeman
$125,000 – to the Department of Commerce for a small business development center
$65,000 – to the Cooperative Development Center
$50,000 – to the Department of Commerce for a small business innovative research program
$3,065,000

Distribution Chart:



Summary of Legislative Action:

House Bill 123 extends the termination date for the economic development statutory appropriations enacted in the May 2000 special legislative session from June 30, 2010 to June 30, 2019. However, the amounts appropriated for the growth through agriculture program and the appropriated transfer to the research and commercialization state special revenue account are reduced by $3.0 million in FY 2011 and in each year of the 2013 biennium.

% of Total General Fund Revenue:

FY 2004 – 2.53%	FY 2007 – 1.76%
FY 2005 – 2.40%	FY 2008 – 1.47%
FY 2006 – 1.82%	

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the coal trust are obtained from the Board of Investments (BOI), Global Insight, and the state accounting system (SABHRS). The BOI provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by Global Insight and historic interest collections are obtained from SABHRS.

Analysis

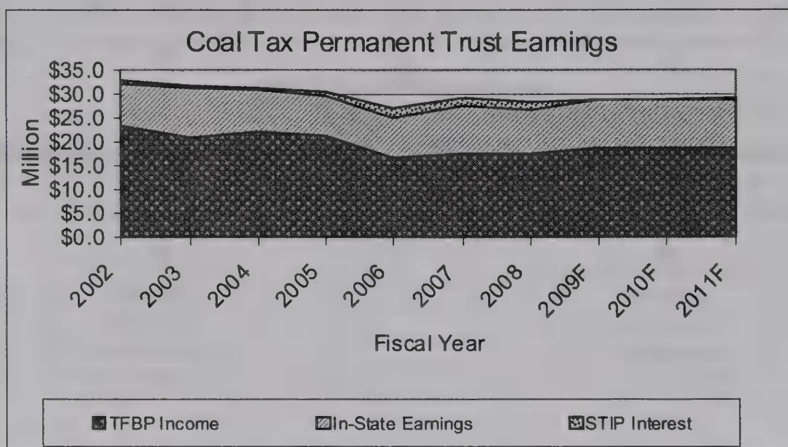
The coal trust was created from distributions of the coal severance tax. While the Constitution requires that 50 percent of the coal severance tax collections be distributed into the coal trust, in early the 1990's the first sub-trust was created and two more were subsequently formed. Currently, the required coal tax revenue flows into the three sub-trusts and none of the tax revenue is deposited into the permanent coal trust. The principal or corpus of the coal trust (the portion that generates general fund interest) now stands at $531.7 million.

To forecast the coal trust interest earnings, four interest/income components are estimated independently and summed. The interest/income components include:

- Trust funds bond pool (TFBP)
- In-state investments

- Short-term investment pool (STIP)
- Payback interest

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. To estimate TFBP earnings, the base year (fiscal 2008) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable new long-term rate for these securities is based on an average of four long-term rates projected by Global Insight. The fiscal year long-term rate is expected to be 5.1 percent in fiscal year 2009, 4.9 percent in fiscal year 2010, and 5.1 percent for fiscal year 2011.



As seen in the figure above, earnings from in-state investments are the second largest source of income to the coal tax trust. The BOI is required by statute to invest twenty-five percent of the coal tax trust in the Montana economy. Investments must be made to maximize the long-term benefit to the Montana economy. In-state investments primarily consist of loans to Montana business entities and earnings are equal to the interest charged on the loans. The in-state balance is held constant throughout the biennium because no new flow of revenue is expected.

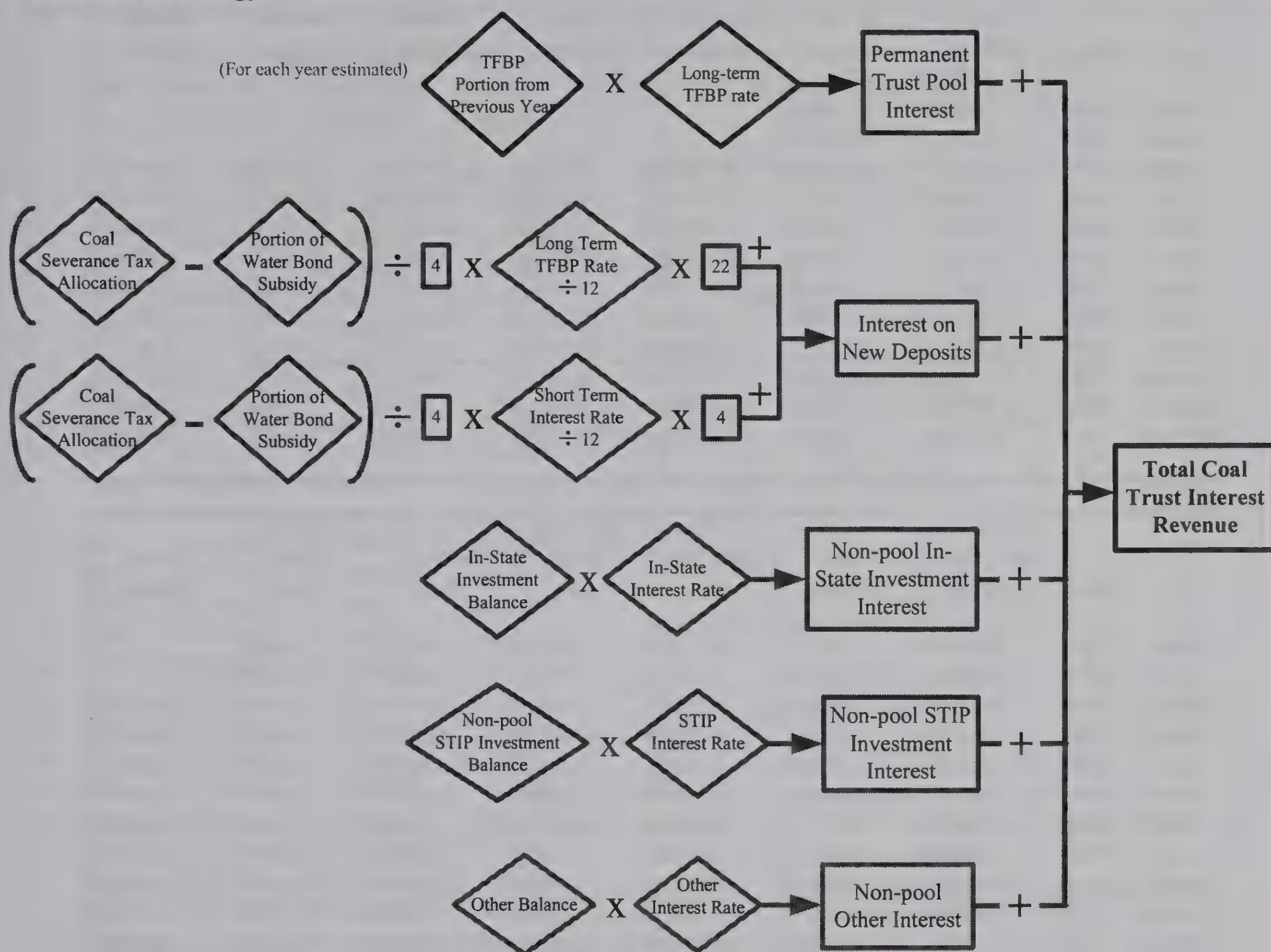
STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed based on Global Insight projections of three short-term investments. The average of these rates is then converted to a fiscal year basis. The average fiscal year short-term rate is expected to be 1.1 percent in fiscal 2009, 0.6 percent in fiscal 2010, and 1.6 percent in fiscal 2011.

Payback interest earnings result from a loan of $46.4 million to the common school trust fund, approved in SB 495 during the 2003 session. Interest on the loan is required to equal the rate of return generated by the TFBP. Additional income is derived from payment of the loan principal. Principal repayments may be temporarily placed into STIP and earn interest until invested in the TFBP. Loan interest paid into the trust declines as the outstanding principal is repaid. Earnings on loan principal payments are projected by applying the TFBP long-term interest rate to the principal payments.

After the estimates are calculated, the projected earnings from the four sources are combined to reach total coal trust interest revenue, and the revenues are distributed as described above.

Coal Trust Interest

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	In_State Interest Millions	Other Interest Millions	STIP Interest Millions	Payback Interest Millions
Actual	2000	39.195203	39.195203					
Actual	2001	37.659527	37.659527					
Actual	2002	37.605247	37.605247	23.317933	8.764717	0.401582	1.096936	3.369611
Actual	2003	36.297863	36.297863	21.079491	10.501432	0.027838	0.388276	3.306650
Actual	2004	34.907273	34.907273	22.273639	8.721596	0.055237	0.451386	3.405415
Actual	2005	36.751940	36.751940	21.418762	8.231060	2.309776	0.691339	3.005668
Actual	2006	31.106170	31.106170	16.717821	8.337924	0.345783	2.116771	2.255822
Actual	2007	32.334879	32.334879	17.616328	10.084960	1.219784	1.377621	1.505159
Actual	2008	28.854611	28.854611	17.570357	9.346191	0.154346	1.500741	0.282977
Forecast	2009	29.319000	29.319000	18.975011	9.753138	0.682180	0.194112	0.000000
Forecast	2010	28.573000	28.573000	18.975011	9.753138	0.321911	0.108193	0.000000
Forecast	2011	28.281000	28.281000	18.975011	9.753138	0.126886	0.318216	0.000000

	t Fiscal	Net Coal Tax New Deposit Millions	Bond Subsidy Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool In State Rate	Non Pool Loan Rate	Gains Millions
Actual	2000	0.000000	0.193782	6.3380%	5.4290%	0.0000%	0.0000%	
Actual	2001	0.000000	0.480790	6.8850%	4.7390%	0.0000%	0.0000%	
Actual	2002	0.000000	0.264847	6.3380%	2.5650%	5.5888%	7.2673%	0.654469
Actual	2003	0.000000	0.780492	5.7290%	1.3600%	6.2141%	7.0000%	0.994175
Actual	2004	3.943085	1.473545	5.3650%	1.2650%	5.3526%	7.3445%	0.000000
Actual	2005	4.704314	1.294028	5.1940%	2.3870%	5.3648%	7.3445%	0.856503
Actual	2006	0.000000	0.417249	5.2340%	4.0770%	5.3524%	7.3445%	1.332049
Actual	2007	0.000000	0.000000	5.4050%	4.7290%	5.6001%	6.1505%	0.531027
Actual	2008	0.000000	0.000000	5.3180%	3.1650%	5.3500%	5.7249%	0.000000
Forecast	2009	0.000000	0.802513	5.0540%	1.0530%	5.3500%	5.5732%	0.000000
Forecast	2010	0.000000	0.084771	4.8640%	0.5620%	5.3500%	5.5732%	0.000000
Forecast	2011	0.000000	0.277757	5.1560%	1.5650%	5.3500%	5.5732%	0.000000

	t Fiscal	Non Pool STIP Bal Millions	Non Pool In-State Bal Millions	Non Pool Loan Bal Millions	SB495 Loan Payment Millions	Invested Balance Millions	Average Return Rate	SB69 Impacts Millions
Actual	2000	15.334577	127.567412	0.000000				
Actual	2001	22.784722	145.401756	0.000000				
Actual	2002	26.721811	168.249355	46.366904				
Actual	2003	37.107451	169.737929	46.366904				
Actual	2004	41.478106	156.145542	46.366904				
Actual	2005	48.813893	150.708090	44.546088	1.820816	552.184053	0.066125	
Actual	2006	50.509520	160.849807	41.896025	2.650063	541.169612	0.057480	
Actual	2007	33.158539	199.324095	31.047064	10.848961	548.455440	0.058956	
Actual	2008	15.910804	182.301654	11.573605	19.473459	538.681324	0.053565	
Forecast	2009	15.910804	182.301654	0.000000	11.573605	538.681324	0.054415	(0.292050)
Forecast	2010	15.910804	182.301654	0.000000	0.000000	538.681324	0.053045	(0.584100)
Forecast	2011	15.910804	182.301654	0.000000	0.000000	538.681324	0.052514	(0.885000)

Total Rev. = Invested Balance * Average Return
GF Rev. = Total Rev.

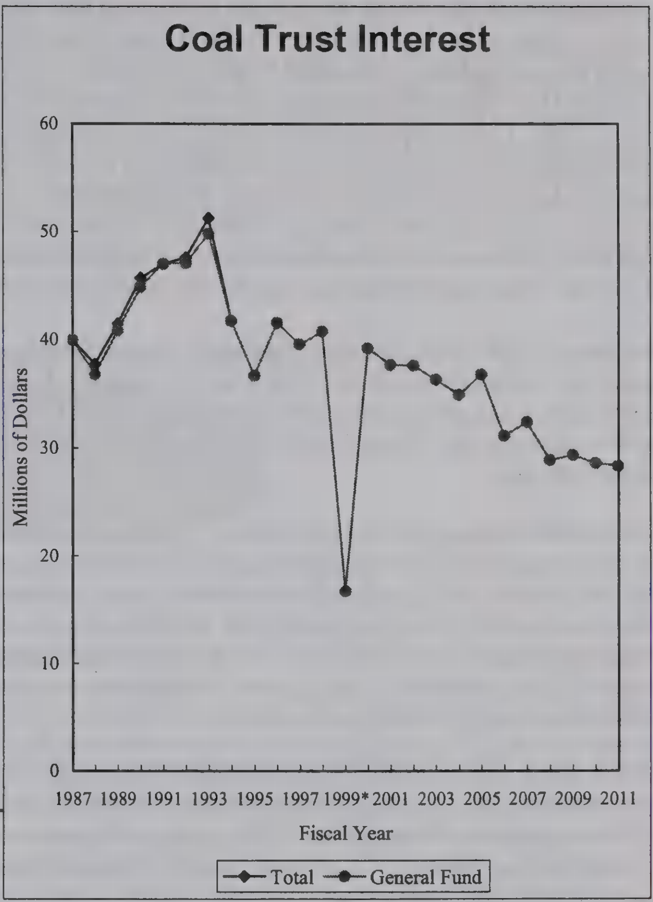
Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	39.924866	39.924866	Not App.
A	1988	37.692796	36.754944	-7.94%
A	1989	41.456920	40.806026	11.02%
A	1990	45.671428	44.830283	9.86%
A	1991	46.999390	46.999390	4.84%
A	1992	47.595927	47.069997	0.15%
A	1993	51.247658	49.787658	5.77%
A	1994	41.725015	41.725015	-16.19%
A	1995	36.675110	36.675110	-12.10%
A	1996	41.532305	41.532305	13.24%
A	1997	39.553397	39.553397	-4.76%
A	1998	40.746333	40.746333	3.02%
A	1999*	16.697583	16.697583	-59.02%
A	2000	39.195203	39.195203	134.74%
A	2001	37.659527	37.659527	-3.92%
A	2002	37.605247	37.605247	-0.14%
A	2003	36.297863	36.297863	-3.48%
A	2004	34.907273	34.907273	-3.83%
A	2005	36.751940	36.751940	5.28%
A	2006	31.106170	31.106170	-15.36%
A	2007	32.334879	32.334879	3.95%
A	2008	28.854611	28.854611	-10.76%
F	2009	29.312000	29.312000	1.59%
F	2010	28.574000	28.574000	-2.52%
F	2011	28.288000	28.288000	-1.00%



* Includes -$24,479,593 in unrealized losses as booked on the state accounting system

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools generate income. The common school trust is actually part of the trust and legacy trust fund that includes nine other trusts. Prior to fiscal 1996, interest and income from the common school trust was deposited in the state equalization account. Beginning in fiscal 1996, this interest and income was deposited in the general fund, as mandated by SB 83, passed by the 1995 Legislature. Beginning fiscal 2003, House Bill 7 from the August 2002 special legislative session changed the deposit to the state special revenue guarantee account and statutorily appropriated the money for schools. The estimates show the amount of revenue deposited to the guarantee account and are net of amounts diverted for DNRC administration costs and those deposited directly to the school facility and technology account. With the enactment of Senate Bill 65 by the 2009 Legislature, diverted revenue can be derived from: 1) distributable revenue; 2) sale of easements; 3) timber, except from public school and Montana university system lands; 4) mineral royalties; and 5) fees from sales of state lands except lands granted by the Morrill Act. The amount of the permanent revenue (mineral royalties and easements) diverted from the common school trust reduces the growth of the trust fund balance and, hence, reduces the amount of future distributable interest earnings.

With the enactment of HB 152 by the 2009 Legislature, revenue from the value of timber over 18 million board feet and revenue from power site rents are no longer deposited to the guarantee account, but are deposited to the school facility and technology account. Mineral royalty revenue required to pay interest and principal on the SB 495 loan is not included since the loan was repaid in FY 2008. All net mineral royalty revenue is deposited to the guarantee account for transfer to the school facility and technology account. These items are explained below.

Common school lands produce two kinds of revenue: 1) distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and 2) permanent income that is returned to the trust such as income from the sale of minerals (see the effects of Senate Bill 495 from the 2003 legislative session below), land, and easements. Excluding the amount of revenue diverted for DNRC administration (Senate Bill 65 enacted by the 2009 Legislature) and to the school facility and technology account (House Bill 152 enacted by the 2009 Legislature), 95 percent of certain distributable revenue is available to fund public schools. Timber revenue is allocated: 1) revenue received from production over 18 million board feet is deposited to the school facility and technology account; and 2) any remainder for the support of public schools.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds (which include the trust and legacy fund of which the common school trust is a part), were transferred to a newly-created Trust Funds Bond Pool (TFBP). The majority of common school trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state Constitution prohibits the investment of common school trust funds in common stock. Interest income is distributed 95 percent to the guarantee account and 5 percent to the trust.

Senate Bill 495 (enacted by the 2001 Legislature) authorized DNRC to purchase the mineral production rights (with a loan from the coal severance trust) from the common school trust. The department subsequently purchased $138.9 million of net future mineral royalties from the school trust for $46.4 million. Since these royalties will no longer be deposited to the trust, interest earnings from the trust corpus are lessened. It is estimated that the trust balance will be at least $92.5 million less after all the $138.9 million has been distributed. The net mineral royalties are first used to pay the principal and interest of the $46.4 million loan with the remainder deposited to the guarantee account to fund base aid. Since the loan was paid off in FY 2008, SB 2 (May 2007 special session) directs that all net mineral royalties (until the total amount of $138.9 million that was purchased is received) are to be deposited to the guarantee account and then transferred to the school facility improvement account (changed to the facility and technology account in HB 152 enacted by the 2009 Legislature). Based on mineral royalty estimates for the 2011 biennium, it is anticipated that the $138.9 million in net mineral royalties will be achieved in the FY 2011. When this occurs, mineral royalties (except those diverted for administration costs under SB 65 enacted by the 2009 Legislature) will again become part of the trust corpus and will generate additional earnings. For further information and analysis on Senate Bill 495 contact the Legislative Fiscal Division for a copy of the two-part report: "Senate Bill 495-Implementation, Impacts and Implications".

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – Montana Constitution Article X, Section 5; 20-9-342 (school technology); 20-9-622 (guarantee account)
Enabling Act, Section 10

Other (MCA) – DNRC trust land administration diversion (77-1-108 & 77-1-109)
DNRC land bank administration diversion (77-2-362)

Date Due - the last business day of February following the calendar year in which the money was received (20-9-342).

Legislative Fiscal Division

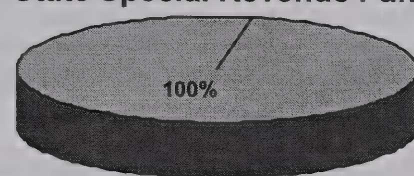
Revenue Estimate Profile

Common School Interest and Income

Applicable Tax Rate(s): N/A

Distribution: As described above, interest and income from common school lands (excluding a portion of timber sale revenue, power site rent, and after amounts diverted for DNRC administration) are distributed 95.0 percent to the state special revenue guarantee account and are statutorily appropriated for schools. The remaining 5.0 percent is deposited to the trust fund. The amount of timber sale revenue over 18 million board feet and power site rent are deposited to the school facility and technology account. Up until the total of $138.9 million of purchased royalties is reached, the portion of mineral royalties not used for DNRC administration is deposited to the guarantee account and, with the enactment of SB 2 (May 2007 special session), transferred to the school facility and technology account (renamed in HB 152 enacted by the 2009 Legislature). The amounts deposited to the guarantee account are shown in this revenue source.

Distribution Chart:



Summary of Legislative Action:

House Bill 152 – The name of the previous "school facility improvement account" is changed to the "school facility and technology account". The following common school trust revenue sources are deposited to the account: 1) income from timber sales over 18 million board feet; 2) remainder of the $138.9 million of mineral royalties purchased under Senate Bill 495 enacted by the 2001 Legislature (estimated to be $37,061,258 for FY 2009 – FY 2011) and transferred from the guarantee account; and 3) 95 percent of rent from power site leases and 5 percent deposited to the common school trust (effective January 1, 2012). Previously: 1) income from timber sales over 18 million board feet had been deposited to the guarantee account and statutorily appropriated to school for technology purposes; 2) the remainder of the $138.9 million of mineral royalties had been deposited to the guarantee account and transferred to the school facility improvement account to implement the recommendations of the school facility and needs assessment and energy audit; and 3) rent from power site leases had been deposited 95 percent to the guarantee account and statutorily appropriated to schools and 5 percent deposited to the common school trust. Money in the school facility and technology account is to be used for school maintenance, energy efficiencies, emergency facility needs, and technological improvements. A new program is established in the Department of Commerce for awarding grants and matching grants from the account to school districts. Two million dollars each year is statutorily appropriated from the account for technology purposes. The legislation does not change the amount of revenue from the common school trust, but does changes the revenue distribution. State special revenue to the guarantee account from timber sales over 18 million board feet is reduced $2,047,781 in FY 2009, $2,721,914 in FY 2010, and $799,554 in FY 2011. State special revenue to the facility and technology account is increased by the same amounts. The legislation is effective on passage and approval. The change in revenue distribution of power site rents applies to payments after January 2012.

Senate Bill 65 – This legislation makes numerous fiscal changes that affect the various land trusts and how revenues are distributed and used and how administrative costs are funded. Affected land trusts include the common school, capital land grant, deaf and blind, and pine hills. Four state special revenue accounts that had previously received portions of various income components that funded specific activities are eliminated. These accounts are: 1) resource development; 2) state timber sale; 3) state lands recreational use; and 4) commercial leasing. Balances in these accounts at the end of FY 2009 are transferred by September 2009 to the earnings reserve account (discussed below). All activities that had been funded by these accounts will now be funded from the trust land administration state special revenue account. Up to an amount of revenue equal to 25 percent of distributable revenue generated from each trust (except revenue from the forest improvement fee) in the fiscal year completed prior to a legislative session is deposited to the account to be appropriated by the legislature. This revenue can be derived from: 1) distributable revenue; 2) sale of easements; 3) timber, except from public school and Montana university system lands; 4) mineral royalties; and 5) fees from sales of state lands except lands granted by the Morrill Act. If the amount of revenue deposited to the trust land administration account for a specific land trust exceeds that trust's administrative costs, up to 1/3 of the excess revenue (excluding revenue from sales of easements, sale of timber, mineral royalties, non-distributable sources, and the $80,000 biennial transfer of general fund) may be transferred to the newly established earnings reserve state special revenue account at the end of a fiscal year. Money in this account may be used if revenue deposits to the trust land administration account are insufficient to fund costs. The remaining revenue must be transferred to the trust's permanent

fund. The balance in the earnings reserve account may not exceed twice the appropriation to the trust land administration account for the last completed fiscal year prior to a legislation session. Costs and revenue deposits must be identified and accounted for by trust.

For the common school trust, the legislation allows DNRC wide discretion in determining the type (distributable or permanent) and amount (up to an amount equal to 25 percent of the last completed year's distributable revenue) to divert for administration costs. This creates greater uncertainty in estimating the amount of interest and income available to fund base aid for schools. If more distributable revenue is chosen by DNRC rather than permanent revenue, less revenue will be deposited to the guarantee account. If more permanent revenue is chosen (which means less to the trust fund) rather than distributable revenue, more revenue will be available to fund base aid. But, reduced deposits to the trust fund reduce future distributable revenue. If the amount of revenue chosen by DNRC to divert to the trust land administration account exceeds the amount appropriated by the legislature, between two-thirds and all of the excess may be deposited to the trust and becomes unavailable to fund base aid for schools.

Due to: 1) the trust not subsidizing costs of other land trusts; and 2) revenue from previous diversions for administrative costs (timber sale, resource development, and commercial leases accounts) that was not subject to the 5 percent allocation to the permanent trust, but now are; revenue to the guarantee account increases $1,454,682 in FY 2010 and decreases $292,031 in FY 2011. Permanent revenue to the trust increases $369,429 in FY 2010 and $377,653 in FY 2011. Because balances of the eliminated accounts are to be deposited proportionally to the earnings reserve account for the land trust from which the revenue was derived, the common school trust earnings reserve account receives $1,051,905 in FY 2010. This amount becomes unavailable to fund base aid for schools. The legislation is effective July 1, 2009.

Senate Bill 507 – The legislation defines the methodology for determining the full market value for the use of navigable river beds belonging to the common school trust. The Board of Land Commissioners is authorized to establish amounts to be paid for a lease, license, or easement. The application fee for use of the bed of navigable rivers is $50. Annual license fee is $150. Because current leases on the Teton River may not be renewed because of the legislation, revenue to the guarantee account is reduced by $5,264 in FY 2010 and $46 in FY 2011. Application fee revenue, deposited to the new historic riverbed use account, increases state special revenue $10,000 in FY 2010 and $10,000 in FY 2011. Sales of easements increase permanent revenue to the common school trust $99,723 in FY 2010 and $99,983 in FY 2011. The legislation is effective October 1, 2009.

Common School Interest and Income – Legislation Passed by 61st Legislature
Estimated State Special Revenue Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0152 Quality schools facility grant program	(2,047,781)	(2,721,914)	(799,554)
SB0065 Revise trust land funding laws		1,454,682	(292,031)
SB0507 Use of river beds		94,459	99,937
Total Estimated State Special Revenue Fund Impact	($2,047,781)	($1,172,773)	($991,648)

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

The estimate for interest and income from the common school trust is conducted with the goal of deriving the net amount of revenue that will be deposited to the guarantee account. This means that in addition to estimating the various revenues from the common school trust, estimates of the various diversions that reduce the amount of revenue deposited to the guarantee account must also be estimated. Therefore, the estimated amounts shown for this revenue source are not total revenues, but are net of diversions.

Data

Data from the state accounting system (SABHRS) provide a history of each individual interest and income revenue component from which estimates can be made. Department of Natural Resources and Conservation (DNRC) annual reports provide additional information such as mineral prices and production. Budget submissions on the state budgeting system (MBARS) provide anticipated amount of diversions. DNRC personnel are contacted for their views on potential future factors that may influence revenues such as easement sales, changes in grazing and agricultural rentals, and timber harvest volumes. Global Insight provides future estimates of West Texas Intermediate oil and national well head natural gas prices.

Legislative Fiscal Division

Revenue Estimate Profile

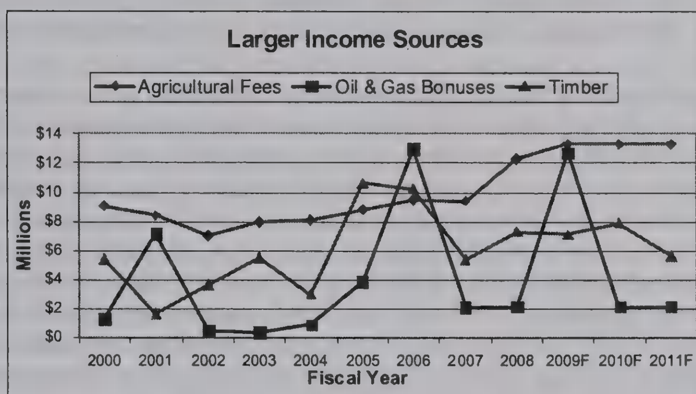
Common School Interest and Income

Analysis

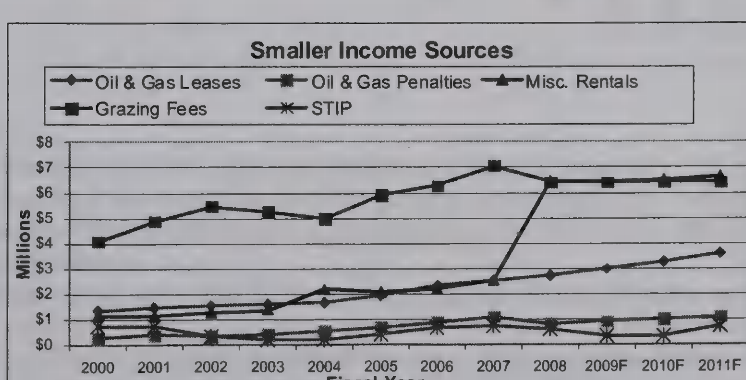
The estimate is derived by first estimating the revenue components and then estimating the amounts of the diversions.

Revenue Components

1. Agricultural Fees – Fees are based on a crop share basis. Commodity prices are expected to be higher than FY 2008 resulting in greater returns. DNRC personnel anticipate that overall revenue will be about $1.0 million more than FY 2008 levels (see the figure below). Based on this information, revenues are increased in FY 2009 and remain constant through FY 2010 and FY 2011.
2. Timber – Estimates of timber harvest revenue from common school trust lands are taken directly from DNRC estimates provided in October 2008.
3. Oil & Gas Bonuses – With record highs in energy prices, competition to obtain mineral leases has increased, resulting in large bonus payments. A single large one-time bonus payment of $10.6 million has already been received in FY 2009. All years contain a base amount of $2.2 million that was received in FY 2008.



4. Grazing Fees – Rates are tied to the price of cattle. Cattle prices are expected to be close to those experienced in FY 2008, perhaps slightly less. DNRC personnel anticipate the grazing fee revenue will be similar to FY 2008.
5. Oil & Gas Leases – For each fiscal year estimated, an average annual growth rate over the previous eight year period was applied beginning with FY 2008 collections.
6. Oil & Gas Penalties – For each fiscal year estimated, the ratio of the previous year's penalties to the previous year's oil and gas lease revenue was multiplied by that year's estimate for oil and gas lease revenue.
7. Miscellaneous Rentals – The estimate involves two parts: a) in FY 2008, Avista signed an agreement to pay rent for hydroelectric generation projects of $4.0 million each year increased by the rate of inflation in each subsequent year; and b) the remaining small income base components are estimated together by using an average annual growth rate over the previous two year period beginning with FY 2008 collections, excluding the Avista rents.
8. Short-term Investment Pool (STIP) – Because revenue initially deposited in the common school trust is invested on a short-term basis (about one month) before being invested in the T & L fund, a short-term rate is used to calculate the earnings. The short-term rate is a composite of Global Insight forecasts for the 3-month commercial paper, 3-month treasury bill, and 6-month treasury bill rates and is estimated to be 1.5 percent in FY 2009, 1.7 percent in FY 2010, and 3.2 percent in FY 2011.



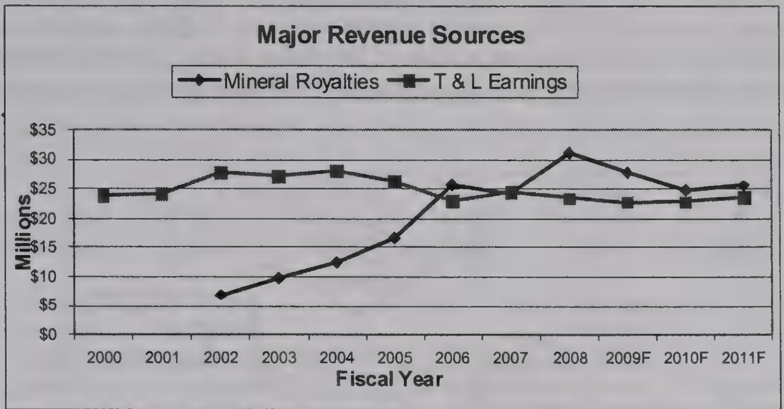
9. Mineral Royalties – Mineral royalties are received from the mining of oil, natural gas, coal, sand and gravel, and other smaller sources. Due to the passage of SB 495 by the 2001 legislature effective FY 2002, mineral royalties are considered distributable income until a net amount (net of diversions that fund trust land administration) of $138.9 million has been distributed. After that time, mineral royalties will again be deposited to the common school trust and will become part of the trust corpus. The additional corpus will generate additional earnings. It is expected that the effects of SB 495 will terminate in FY 2010. The figure below shows total mineral royalties since FY 2002. The estimate for mineral royalties is obtained by multiplying together estimates for production, price, and the applicable royalty rate.
    - Production – Oil and natural gas production is estimated by increasing the previous fiscal year's production by the growth rate obtained from a two-year average of the estimates for statewide oil and natural gas production (see the Oil and Natural Gas Production Tax profile). Coal production on state lands comes primarily from a single coal company with minor amounts from another company. Calendar year information on projected production and percentage of production on state lands was obtained by surveying coal companies, including the companies producing on state lands, from which the amount of production on state lands is derived. Fiscal year production is obtained by averaging production for the current and previous calendar years. All other mineral production was held constant at the amount of gravel royalty collection in FY 2008.
    - Price – Oil prices are calculated by increasing the previous year's Montana price by the growth between the average West Texas Intermediate price estimates obtained from Global Insight for the four quarters of the same fiscal years. The same methodology is used for natural gas with the driving factor being the Global Insight estimated national well head price. Coal price is determined by increasing the previous fiscal year's price by a growth rate obtained from a two-year average of the calendar year estimates for Montana coal prices (see the Coal Severance Tax profile).
10. Trust and Legacy Earnings – The monetary assets of the common school trust are pooled with monetary assets of other land trusts (termed "Trust and Legacy") and invested by the Board of Investment in the trust funds bond pool. Based on the number of share each trust owns, a share of the earnings is deposited in each trust. For the common school trust, the actual FY 2008 share of 92.64 percent is used. The pool balance grows when permanent revenue is deposited from the various land trust, including the common school trust. DNRC personnel state that no substantial sales of right-of-ways (a source of permanent revenue) are anticipated in the three fiscal years. However, due to the anticipated ending of SB 495 in FY 2010, mineral royalties (permanent revenue) will once again add to the balance. The estimation of the total pool earnings is a three stage process:
    - Earnings from new deposits – New deposits in the pool are estimated to be $1.6 million in FY 2009, $8.5 million in FY 2010, and $22.6 million in FY 2011. Of the total additions in FY 2010-FY2011, $28.0 million ($6.7 million in FY 2010 and $21.3 million in FY 2011) is from mineral royalties being deposited to the trust due to the end of SB 495. This additional money initially earns interest at the short-term rate (1.5 percent for FY 2009, 1.7 percent for FY 2010, and 3.2 percent for FY 2011) before it is invested in a longer term investment (5.5 percent for FY 2009, 5.5 percent for FY 2010, and 5.7 percent for FY 2011). Also included in these calculations are short-term earnings from the estimated $4.1 million average balance in the common school Land Bank Trust Fund.
    - Earnings from existing balance – The TFBP balance in FY 2008 was $439.2 million. These funds have been invested in bonds purchased over the past several years with an average return 5.6 percent.
    - Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate of 1.7 percent for FY 2009, 2.0 percent for FY 2010, and 4.0 percent for FY 2011percent on a balance of $2.5 million, the actual balance in FY 2008.

Once the total amount of the pool earnings has been estimated by summing the above three items, the common school share of 92.64 percent is applied.

Legislative Fiscal Division

Revenue Estimate Profile

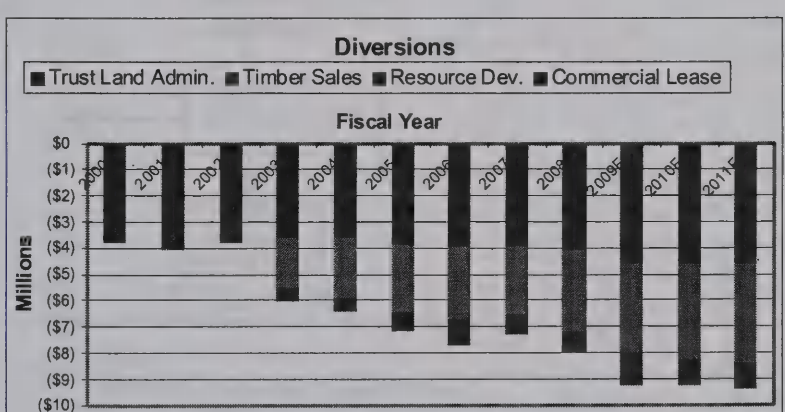
Common School Interest and Income



Diversions

Diversions fund operational costs in DNRC, but reduce the amount of revenue distributed to the trust beneficiaries (see the figure below). To determine future diversion amounts, DNRC's present law budget amounts are used.

- Trust Land Administration Account – Of the total expenditures requested to be made from this account, a percentage of the expenditures are funded by common school trust revenue. A portion of mineral royalties and permanent income is diverted to this account to fund department's activities in managing the common school trust lands. The portion of permanent revenue is determined by multiplying the amount of permanent revenue by the ratio of permanent revenue to the sum of mineral royalties and permanent revenue. Mineral royalty revenue funds the remainder of the expenditures.
- Timber Sales Account – A portion of timber sale revenue from the common school trust is used to fund costs associated with the timber sale program on the trust lands. Other trusts with timber revenue also pay into this account. The portion each pays is the ratio of its timber sale revenue to the total state-wide timber sale revenue multiplied by the total cost of the program. In FY 2008, the common school trust funded 74.4 percent of total expenditures.
- Resource Development Account – Three percent of all income (excluding commercial lease income) from the common school trust is diverted to an account to fund resource development on the trust lands. Interest earnings are not included in the calculations.
- Commercial Leasing Account – Ten percent of revenue received from commercial leases is diverted to an account to fund activities associated with administering the leases.



Adjustments and Distribution

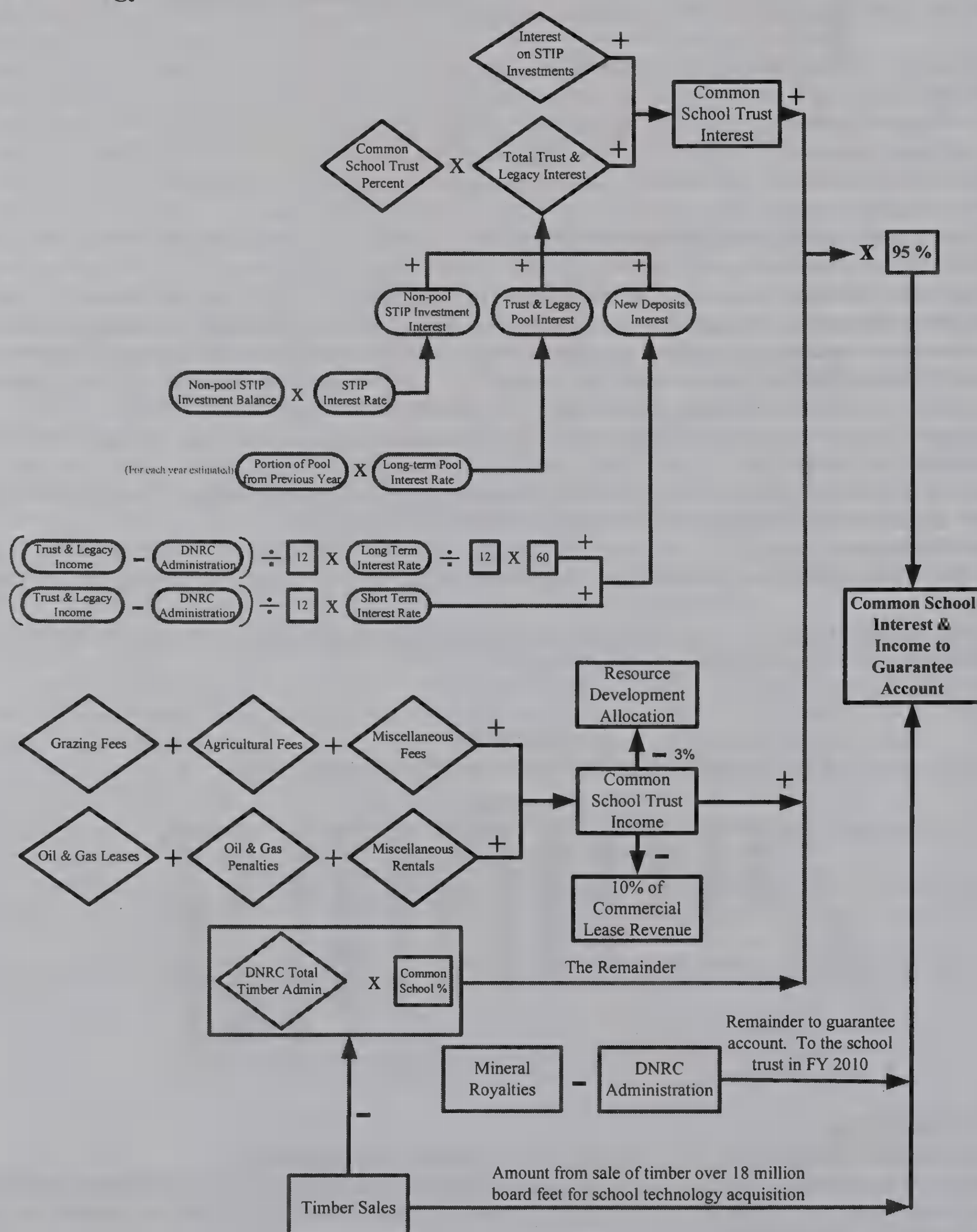
Once total revenue and total diversions have been estimated, the net amounts are distributed:

- 95 percent of the net amount of interest and income (including the Avista amount), excluding timber and mineral royalties, is deposited to the guarantee account and the remaining 5 percent is returned to the trust. The money deposited to the guarantee account is used for public schools.
- The value received from timber sales over 18 million board feet is distributed to the guarantee account to fund school technology. The amount of money distributed to the account in one year is spent in the next year.
- The remaining amount of timber (if any) is distributed 95 percent to the guarantee account and 5 percent is returned to the trust. The money deposited to the guarantee account is used for public schools.

Common School Interest and Income

- From FY 2009 to part way through FY 2010, mineral royalties are used for fund administrative costs with the remainder distributed to the guarantee account and then transferred to the school facility improvement account. Beginning part way through FY 2010, SB 495 ends and mineral royalty revenue net of administration costs becomes part of the permanent trust fund.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Common School Share T&L	SB495 Loan Pay. Millions	Trust Land Expense Millions
Actual	2000	44.296034	44.296034			0.938562		
Actual	2001	46.845895	46.845895			0.923235		
Actual	2002	50.875186	48.937673	29.627056	0.102664	0.932906		
Actual	2003	48.977342	0.000000	29.146744	0.068370	0.931091	0.000000	-3.551119
Actual	2004	55.663022	0.000000	30.087011	0.053502	0.928698	-1.820816	-3.311911
Actual	2005	68.035764	0.000000	28.106281	0.269698	0.927050	-2.650063	-3.679601
Actual	2006	82.605539	0.000000	24.428206	0.408162	0.928000	-10.848961	-3.904704
Actual	2007	70.428669	0.000000	26.206838	0.267652	0.926977	-19.473459	-3.130197
Actual	2008	83.025650	0.000000	25.159580	0.128925	0.926420	-11.573605	-3.808804
Forecast	2009	84.139000	0.000000	24.474900	0.060973	0.926420	0.000000	-4.290252
Forecast	2010	71.015000	0.000000	24.546204	0.048298	0.926420	0.000000	-4.187453
Forecast	2011	57.112000	0.000000	24.620244	0.403768	0.926420	0.000000	-4.252569

	t Fiscal	Trust Income New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions	SB495 Interest Millions
Actual	2000	10.969295	7.0160%	5.4290%	11.676486	
Actual	2001	12.667780	6.8850%	4.7390%	6.984553	
Actual	2002	2.348339	6.3380%	2.5650%	7.334239	
Actual	2003	2.363355	5.7290%	1.3600%	6.242273	
Actual	2004	2.971526	5.3650%	1.2650%	7.049634	
Actual	2005	1.457756	5.1940%	2.3870%	12.106697	-3.005668
Actual	2006	1.425106	5.2340%	4.0770%	3.862666	-2.255822
Actual	2007	7.173844	5.4050%	4.7290%	14.953757	-1.505159
Actual	2008	3.101654	5.3180%	3.1650%	2.461097	-0.282977
Forecast	2009	1.410837	5.0540%	1.0530%	2.461097	0.000000
Forecast	2010	1.522214	4.8640%	0.5620%	2.461097	0.000000
Forecast	2011	15.558806	5.1560%	1.5650%	2.461097	0.000000

	t Fiscal	Grazing Millions	Agriculture Millions	Misc. Millions	O&G Lease Millions	O&G Bonus Millions	O&G Penalty Millions	Misc. Millions
Actual	2000	4.065911	9.053155	0.000000	1.328220	1.277231	0.261334	1.127779
Actual	2001	4.850839	8.376539	0.000000	1.448285	7.118093	0.355322	1.121433
Actual	2002	5.467322	6.998644	0.000000	1.540472	0.478224	0.334699	1.243778
Actual	2003	5.243241	7.974945	0.000000	1.575356	0.300943	0.399347	1.348894
Actual	2004	4.970961	8.051131	0.000000	1.648808	0.870693	0.533758	2.156382
Actual	2005	5.918241	8.816342	0.000000	1.893296	3.826961	0.640759	2.057478
Actual	2006	6.276945	9.453271	0.000000	2.330531	13.005123	0.864068	2.193452
Actual	2007	7.057412	9.408029	0.000000	2.506340	2.101872	1.066758	2.510437
Actual	2008	6.407660	12.282064	0.000000	2.700962	2.153575	0.812454	6.417877
Forecast	2009	6.407660	13.282064	0.000000	2.952465	12.712218	0.888107	6.389808
Forecast	2010	6.407660	13.282064	0.000000	3.240010	2.153575	0.974601	6.449287
Forecast	2011	6.407660	13.282064	0.000000	3.591572	2.153575	1.080351	6.544083

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

	t Fiscal	Int. Land Millions	Int. STIP Millions	Int. Trust Millions	Timber Millions	Res. Dev. Millions	Commercial Lease Millions
Actual	2000	0.000566	0.706653	23.905761	5.379555	-0.513416	
Actual	2001	0.000290	0.715090	24.206450	1.623592	-0.698124	
Actual	2002	0.000063	0.305319	27.775111	3.624785	-0.504023	
Actual	2003	0.019744	0.188794	27.201941	3.605510	-0.499362	
Actual	2004	0.002900	0.199526	27.991422	0.666749	-0.517845	
Actual	2005	0.025797	0.408384	26.305944	3.651789	-0.686492	-0.067175
Actual	2006	0.000000	0.641609	23.048141	2.878508	-1.003369	-0.067975
Actual	2007	0.000000	0.733359	24.541243	1.929315	-0.722384	-0.057113
Actual	2008	0.000000	0.605693	23.427775	2.250670	-0.785520	-0.057002
Forecast	2009	0.000000	0.251120	22.730523	1.716365	-1.278970	-0.040000
Forecast	2010	0.000000	0.119177	22.784839	1.503134	-0.975216	-0.040000
Forecast	2011	0.000000	0.338613	23.182745	1.053701	-0.991779	-0.040000

	t Fiscal	Total Timber Millions	Timber Sales Pgm. Millions	School Technology Millions	Oil Royalties Millions	Gas Royalties Millions	Coal Royalties Millions	Other Royalties Millions
Actual	2000	5.379555	0.000000	0.000000				
Actual	2001	1.623592	0.000000	0.000000				
Actual	2002	3.624785	0.000000	1.822162	2.390492	1.523062	2.836919	0.144369
Actual	2003	5.507588	-1.829039	0.000000	3.681611	1.995499	3.877054	0.148393
Actual	2004	2.968369	-1.940581	3.178988	4.851597	2.718035	4.676964	0.169754
Actual	2005	10.602272	-2.536323	4.414160	7.965516	4.329847	4.239865	0.194346
Actual	2006	10.227233	-2.707337	4.641388	14.759265	6.317280	4.179503	0.355698
Actual	2007	5.397993	-2.572832	0.895846	15.133322	5.082713	3.729473	0.147955
Actual	2008	7.316574	-3.117074	1.948830	19.366955	5.659708	5.865071	0.156243
Forecast	2009	7.081590	-3.317444	2.047781	12.184103	4.664607	6.645019	0.174296
Forecast	2010	7.882040	-3.656992	2.721914	7.512935	4.426647	6.735539	0.174296
Forecast	2011	5.575023	-3.721768	0.799554	9.028481	5.281197	7.152580	0.174296

	t Fiscal	Oil Production Barrels	Gas Production MCF's	Coal Production Tons	Oil Price $/Barrel	Gas Price $/MCF	Coal Price $/Ton	Excess Royalties To Trust
Actual	2000	0.923777	5.050552	3.273552	22.670000	1.880000	11.650000	
Actual	2001	0.889786	6.294741	2.252935	26.470000	3.930000	12.000000	
Actual	2002	0.911057	5.892287	2.758351	20.320000	1.910000	11.800000	
Actual	2003	1.017463	5.380950	3.689490	28.140000	3.200000	9.590000	
Actual	2004	1.122987	5.720200	4.183187	31.020000	3.950000	8.600000	
Actual	2005	1.400063	7.240046	3.914410	44.690000	5.090000	9.120000	
Actual	2006	2.024282	7.878173	4.212862	57.240000	6.640000	8.630000	
Actual	2007	2.012340	7.708192	3.006455	55.850000	5.130000	9.550000	
Actual	2008	1.808692	7.751961	4.720487	88.870000	6.120000	10.870000	
Forecast	2009	1.629511	7.897918	4.668500	57.516562	4.724898	11.386988	0.000000
Forecast	2010	1.490460	7.964916	4.259000	38.774475	4.446146	12.651870	0.000000
Forecast	2011	1.381119	7.852931	4.216000	50.285207	5.380103	13.572259	14.362464

Total Rev. = (Grazing + Agriculture + O&G Lease + O&G Bonus + O&G Penalty + Misc. + Int. Land + Int. Stip + Int. Trust + Timber + Res. Dev. + Commercial Lease) * .95 + Oil Roy. + Gas Roy + Coal Roy. + Other Roy. + School Technology + Trust Land Admin. - Excess Royalties To Trust

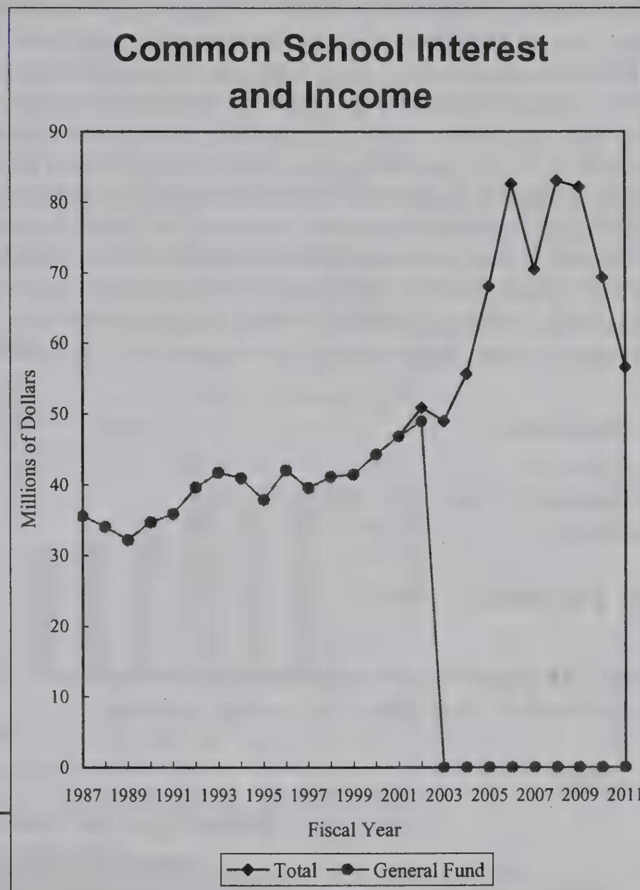
Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	35.529619	35.529619	Not App.
A	1988	34.078544	34.078544	-4.08%
A	1989	32.165382	32.165382	-5.61%
A	1990	34.706901	34.706901	7.90%
A	1991	35.865505	35.865505	3.34%
A	1992	39.616168	39.616168	10.46%
A	1993	41.673746	41.673746	5.19%
A	1994	40.943551	40.943551	-1.75%
A	1995	37.904099	37.904099	-7.42%
A	1996	42.031801	42.031801	10.89%
A	1997	39.538792	39.538792	-5.93%
A	1998	41.129779	41.129779	4.02%
A	1999	41.432733	41.432733	0.74%
A	2000	44.296034	44.296034	6.91%
A	2001	46.845895	46.845895	5.76%
A	2002	50.875186	48.937673	4.47%
A	2003	48.977342	0.000000	-100.00%
A	2004	55.663022	0.000000	Not App.
A	2005	68.035764	0.000000	Not App.
A	2006	82.605539	0.000000	Not App.
A	2007	70.428669	0.000000	Not App.
A	2008	83.025650	0.000000	Not App.
F	2009	82.088000	0.000000	Not App.
F	2010	69.315000	0.000000	Not App.
F	2011	56.601000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

Revenue Description: Beginning in fiscal 1976, a portion of coal severance tax revenue was deposited into the Parks Acquisition and Arts Protection trust fund. The 1991 Legislature split the principal of this trust into two separate trusts, the Parks Acquisition trust and the Arts Protection trust (cultural trust), with coal severance taxes allocated to each one. The 1997 Legislature appropriated $3.9 million from the cultural trust fund for the immediate purchase of Virginia and Nevada City properties. This action resulted in a loss of trust interest revenue that otherwise would be used to fund cultural and aesthetic (C&A) projects in the state during the 1999 biennium. Thus, beginning July 1, 1997, and ending June 30, 1999, 0.87 percent in coal severance tax revenue was allocated to an account in the state special revenue fund to compensate for the lost interest earnings and the previous 0.63 percent distribution of coal severance tax to the cultural trust was eliminated. Except for fiscal 2003, beginning July 1, 1999, the amount of 0.63 percent is once again statutorily allocated to the cultural trust, the interest from which is to be used for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. The August 2002 special legislative session eliminated the allocation for fiscal 2003 only. In HB 9, the 2005 Legislature transferred $3,412,500 from the general fund to the trust and the 2007 Legislature transferred $1,500,000 from the general fund to the trust. Both these actions increase the earnings from the trust.

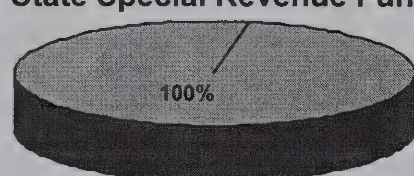
Statutory Reference:

Tax Rate - NA
Distribution (MCA) - 15-35-108(6), 22-2-305
Date Due - NA

Applicable Tax Rate(s): N/A

Distribution: All income from the trust is deposited in a state special revenue fund to be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that affected this revenue source.

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used to estimate the interest and earnings of the cultural trust are collected from the Board of Investments (BOI), Global Insight, and the state accounting system (SABHRS). The BOI provides historic interest earnings from the trust as well as the gains and losses from the sale of investment instruments. Projections of interest rates are provided by Global Insight, and historic earnings are provided from SABHRS. No adjustments are required on the raw data in preparation for analysis.

Analysis

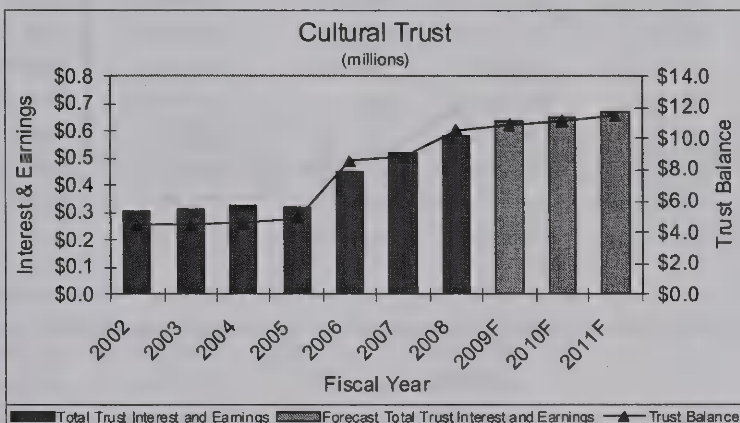
The cultural trust, formed in the late 1970's, was created from distributions of the coal severance tax. The cultural trust receives coal tax distributions at the rate of 0.63 percent of the total tax. In several years of budget stress, the coal tax distribution to the cultural trust was temporarily eliminated or reduced. The principal of the trust was reduced by $3.9 million in fiscal 1997 and the funds were used for the purchase of Virginia and Nevada Cities. In fiscal 2006, the trust was reimbursed for $3.4 million, substantially increasing the principal of the trust. The principal or corpus of the cultural trust now stands at $10.6 million, as demonstrated by the line in the figure below. Estimates of future deposits to the cultural trust are developed in the coal severance tax projection and are expected to be $279,000 in

fiscal 2009, $290,000 in fiscal 2010, and $304,000 in fiscal 2011.

To forecast the cultural trust interest earnings, each of three interest/income components are estimated independently and combined. The estimated interest/income components include:

- The trust funds bond pool (TFBP)
- The short term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. TFBP earnings are the largest source of earnings for the trust. The TFBP earnings are estimated by applying a long-term interest rate to the projected TFBP balance. The applicable long term rate is an average of four rates projected by Global Insight and includes the corporation Aaa bond rate, the corporate Baa bond rate, the rate on 10-year treasury bonds, and the rate on 30-year treasury bonds. The average rate is then factored to produce a fiscal year average rate. The fiscal year average long-term interest rate is expected to be 5.1 percent in fiscal year 2009, 4.9 percent in fiscal year 2010, and 5.7 percent in fiscal year 2011.



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed, based on Global Insight projections of the interest rates on three and six-month corporate loans and three and six-month treasury bills. The average rates are then factored to a fiscal year average rate. The average fiscal year short-term interest rate is expected to be 1.1 percent in fiscal year 2009, 0.6 percent in fiscal year 2010, and 1.6 percent in fiscal year 2011.

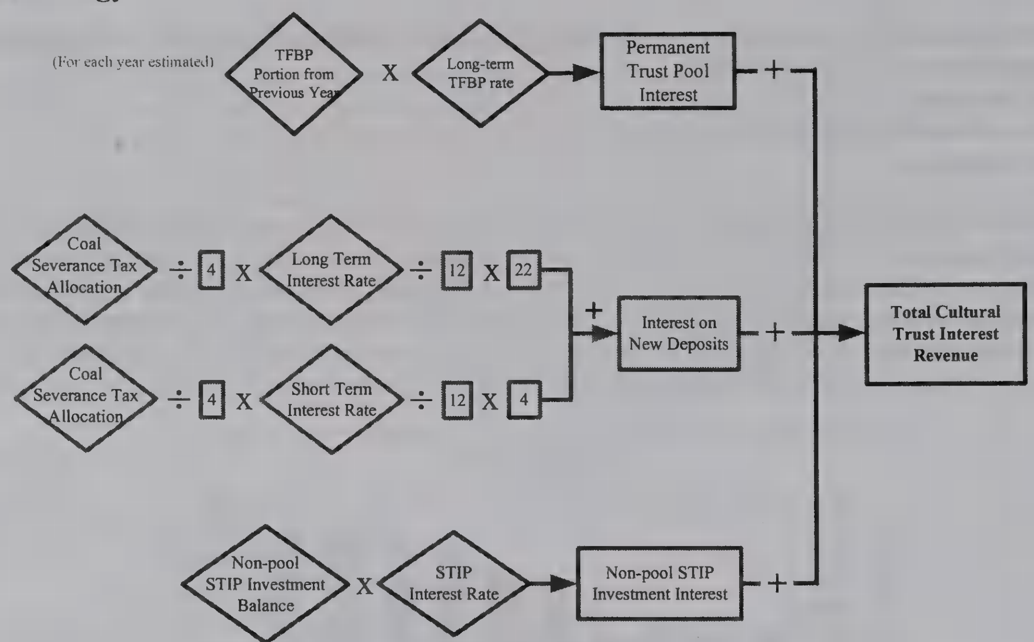
The 0.63 percent coal severance tax distribution to the cultural trust is considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2000	0.253951	0.000000				
Actual	2001	0.286146	0.000000				
Actual	2002	0.305355	0.000000	0.304397	0.000957		
Actual	2003	0.314131	0.000000	0.310495	0.001135	4.518165	0.069526
Actual	2004	0.325684	0.000000	0.324526	0.001158	4.693455	0.069391
Actual	2005	0.318333	0.000000	0.316149	0.002184	4.932287	0.064541
Actual	2006	0.447040	0.000000	0.421171	0.025868	8.478110	0.052729
Actual	2007	0.515699	0.000000	0.512569	0.003130	8.784502	0.058706
Actual	2008	0.584045	0.000000	0.572852	0.011193	10.595200	0.055124
Forecast	2009	0.632000	0.000000	0.623158	0.009036	11.159791	0.056649
Forecast	2010	0.645000	0.000000	0.637259	0.007899	11.449791	0.056347
Forecast	2011	0.663000	0.000000	0.651365	0.011397	11.753791	0.056387

	t Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2000	0.212426	7.0160%	5.4290%	0.249639
Actual	2001	0.203724	6.8850%	4.7390%	0.028633
Actual	2002	0.199168	6.3380%	2.5650%	0.102287
Actual	2003	0.000000	5.7290%	1.3600%	0.062902
Actual	2004	0.198731	5.3650%	1.2650%	0.088412
Actual	2005	0.237097	5.1940%	2.3870%	0.092433
Actual	2006	0.225676	5.2340%	4.0770%	0.063498
Actual	2007	0.256780	5.4050%	4.7290%	0.060001
Actual	2008	0.285591	5.3180%	3.1650%	0.190851
Forecast	2009	0.279000	5.0540%	1.0530%	0.190851
Forecast	2010	0.290000	4.8640%	0.5620%	0.190851
Forecast	2011	0.304000	5.1560%	1.5650%	0.190851

Total Rev. = Invested Balance * Average Return

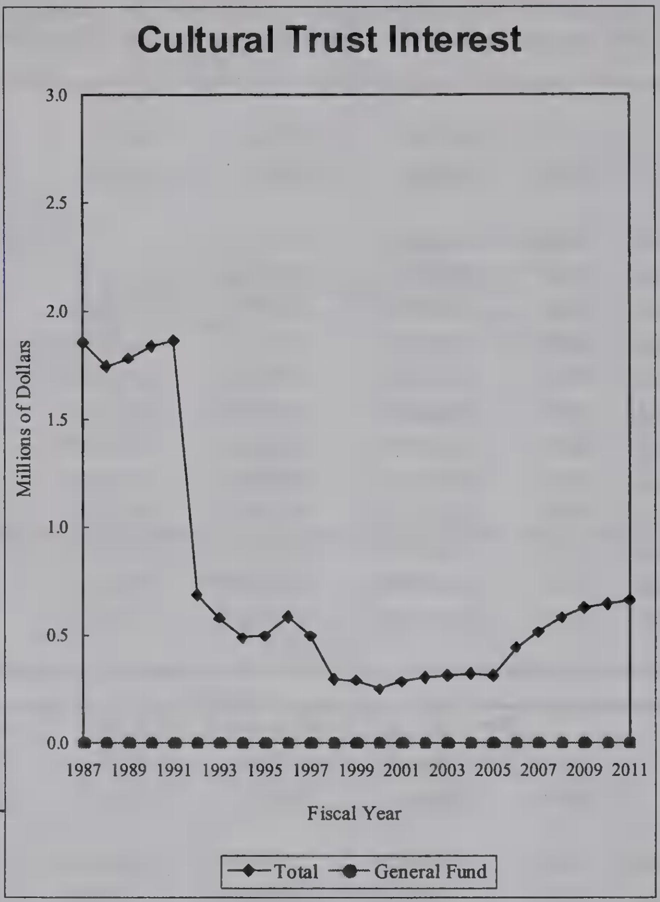
Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	1.860405	0.000000	Not App.
A	1988	1.745652	0.000000	Not App.
A	1989	1.785198	0.000000	Not App.
A	1990	1.842276	0.000000	Not App.
A	1991	1.867393	0.000000	Not App.
A	1992	0.691916	0.000000	Not App.
A	1993	0.582833	0.000000	Not App.
A	1994	0.491150	0.000000	Not App.
A	1995	0.499401	0.000000	Not App.
A	1996	0.587588	0.000000	Not App.
A	1997	0.498695	0.000000	Not App.
A	1998	0.297580	0.000000	Not App.
A	1999	0.295223	0.000000	Not App.
A	2000	0.253951	0.000000	Not App.
A	2001	0.286146	0.000000	Not App.
A	2002	0.305355	0.000000	Not App.
A	2003	0.314131	0.000000	Not App.
A	2004	0.325684	0.000000	Not App.
A	2005	0.318333	0.000000	Not App.
A	2006	0.447040	0.000000	Not App.
A	2007	0.515699	0.000000	Not App.
A	2008	0.584045	0.000000	Not App.
F	2009	0.632000	0.000000	Not App.
F	2010	0.645000	0.000000	Not App.
F	2011	0.663000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Deaf and Blind Trust Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income. These lands produce revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Income from certain portions of public school/institution lands has been designated for support of the School for the Deaf and Blind. Thus, some of these funds are deposited into a component of the trust and legacy trust fund referred to as the Deaf and Blind trust, which generates interest earnings for the state. As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Funds Bond Pool (TFBP). The majority of trust and legacy trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state constitution prohibits the investment of the permanent trust in common stock.

With the enactment of SB 65 by the 2009 Legislature, up to 25 percent of Deaf and Blind trust revenue can be diverted to the trust land administration account to fund Department of Natural Resources and Conservation (DNRC) administration costs. A portion of timber sale revenue can also be diverted to fund DNRC administration costs. The amount of the money diverted from the Deaf and Blind trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings. The legislation is effective July 1, 2009.

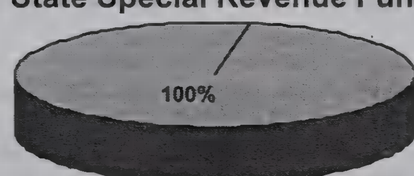
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 20-8-110
Enabling Act, Sections 11 & 17
Other (MCA) – DNRC trust land administration diversion (77-1-108 & 109)
DNRC land bank administration diversion (77-2-362)

Applicable Tax Rate(s): N/A

Distribution: Interest and income from the trust, net of amounts to fund DNRC administration, are allocated to the School for the Deaf and Blind.

Distribution Chart:



Summary of Legislative Action:

Senate Bill 65 – This legislation makes numerous fiscal changes that affect the various land trusts and how revenues are distributed and used and how administrative costs are funded. Affected land trusts include the common school, capital land grant, deaf and blind, and pine hills. Four state special revenue accounts that had previously received portions of various income components that funded specific activities are eliminated. These accounts are: 1) resource development; 2) state timber sale; 3) state lands recreational use; and 4) commercial leasing. Balances in these accounts at the end of FY 2009 are transferred by September 2009 to the earnings reserve account (discussed below). All activities that had been funded by these accounts will now be funded from the trust land administration state special revenue account. Up to an amount of revenue equal to 25 percent of distributable revenue generated from each trust (except revenue from the forest improvement fee) in the fiscal year completed prior to a legislative session is deposited to the account to be appropriated by the legislature. This revenue can be derived from: 1) distributable revenue; 2) sale of easements; 3) timber, except from public school and Montana university system lands; 4) mineral royalties; and 5) fees from sales of state lands except lands granted by the Morrill Act. If the amount of revenue deposited to the trust land administration account for a specific land trust exceeds that trust's administrative costs, up to 1/3 of the excess revenue (excluding revenue from sales of easements, sale of timber, mineral royalties, non-distributable sources, and the $80,000 biennial transfer of general fund) may be transferred to the newly established earnings reserve state special revenue account at the end of a fiscal year. Money in this account may be used if revenue deposits to the trust land administration account are insufficient to fund costs. The remaining revenue must be transferred to the trust's permanent

fund. The balance in the earnings reserve account may not exceed twice the appropriation to the trust land administration account for the last completed fiscal year prior to a legislation session. Costs and revenue deposits must be identified and accounted for by trust.

For the deaf and blind trust, revenue to the state special revenue account decreases $7,260 in FY 2010 and $7,260 in FY 2011 because administrative costs of the trust will no longer be subsidized by the common school trust. Because balances of the accounts eliminated by the legislation are to be deposited proportionally to the earnings reserve account for the land trust from which the revenue was derived, the deaf and blind trust earnings reserve account receives $8,352 in FY 2010.

Deaf & Blind Interest and Income -- Legislation Passed by 61st Legislature
Estimated State Special Revenue Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
SB0065 Revise trust land funding laws		1,092	(7,260)
Total Estimated State Special Revenue Fund Impact	$0	$1,092	($7,260)

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

The estimate for interest and income from the Deaf and Blind trust is conducted with the goal of deriving the net amount of revenue that will be distributed to the trust beneficiary. This means that in addition to estimating the various distributable revenues from the trust, estimates of the various diversions that reduce the amount of distributable revenue must also be estimated. Therefore, the estimated amounts shown for this revenue source are not total revenues, but are net of diversions. Permanent revenue (revenue that is not distributed, but remains in the trust such as from timber and mineral royalties), is estimated as part of the entire Trust and Legacy account (T & L) and earnings are apportioned to this trust according to the number of shares owned.

Data

Data from the state accounting system (SABHRS) provide a history of each individual interest and income revenue component from which estimates can be made. Department of Natural Resources and Conservation (DNRC) annual reports provide additional information such as mineral prices and production and timber estimates. Budget submissions on the state budgeting system (MBARS) provide anticipated amount of diversions.

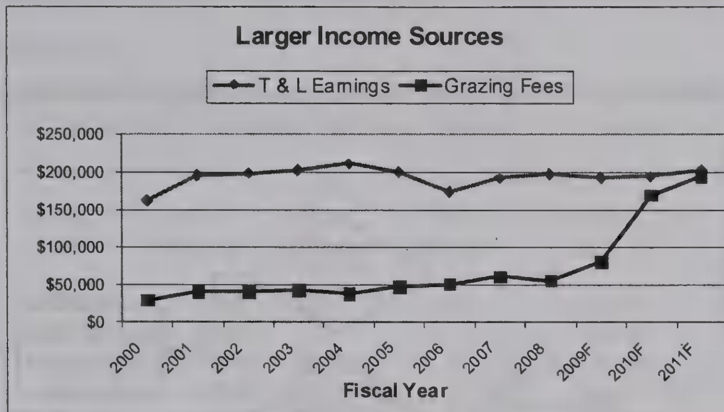
Analysis

The estimate is derived by first estimating the distributable revenue components and then estimating the amounts of the diversions.

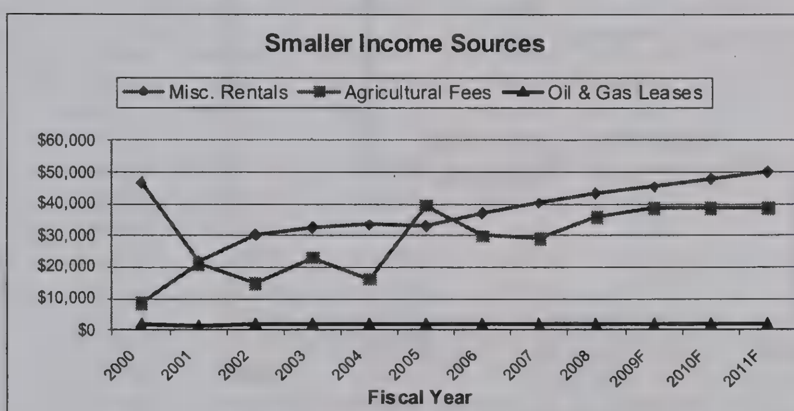
Revenue Components

1. Trust and Legacy Earnings (see the figure below) – The monetary assets of the trust are pooled with monetary assets of other land trusts in the T & L and invested by the Board of Investment in the trust funds bond pool. Based on the number of share each trust owns, a share of the earnings is deposited in each trust. For the Deaf and Blind trust, the actual FY 2008 share percentage of 0.79 is used. The estimation of the total pool earnings is a three stage process:
   - Earnings from new deposits – New deposits in the pool are estimated to be in $1.6 million in FY 2009, $8.5 million in FY 2010 and $22.6 million in FY 2011. This additional money initially earns interest at the short-term rate (1.5 percent in FY 2009, 1.7 percent in FY 2010, and 3.2 percent in FY 2011) before it is invested in a longer term investment (5.5 percent in FY 2009, 5.5 percent in FY 2010, and 5.7 percent in FY 2011).
   - Earnings from existing balance – The pool balance in FY 2008 was $439.2 million. The majority of these funds have been invested in bonds purchased over the past several year and average a return rate of 5.6 percent.
   - Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate of 1.7 in FY 2009, 2.0 percent in FY 2010, and 4.0 percent in FY 2011 on a balance of $2.5 million, the actual balance from FY 2008.

   Once the total amount of the pool earnings has been estimated by summing the above three items, the Deaf and Blind trust share of 0.79 percent is applied.
2. Grazing Fees – Rates are tied to the price of cattle. Cattle prices are expected to be close to those experienced in FY 2008, perhaps slightly less. DNRC personnel anticipate the grazing fee revenue will be similar to FY 2008.

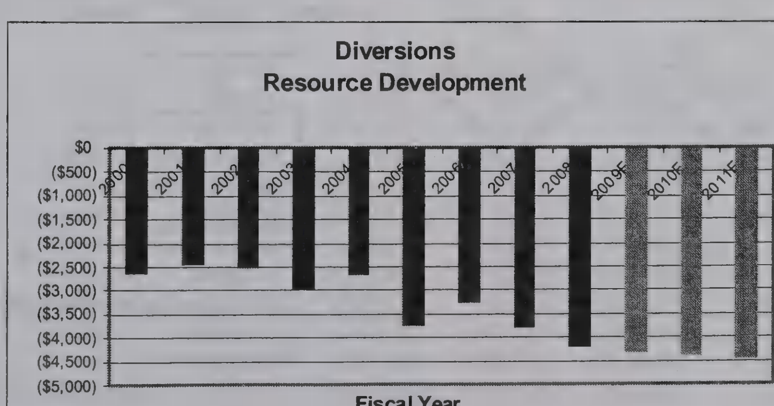


3. Miscellaneous Rentals - These are small income components that are combined and estimated together. For each fiscal year estimated, the estimate is based on the growth rate between FY 2002 and FY 2008.
4. Agricultural Fees – Fees are based on a crop share basis. Commodity prices are expected to be higher than FY 2008 resulting in greater returns. DNRC personnel anticipate that overall revenue will be more than FY 2008 levels (see the figure below). Based on this information, revenues are increased in FY 2009 and remain constant through FY 2010 and FY 2011.
5. Oil & Gas Leases – For each fiscal year estimated, the estimate is the average of the previous three years.



Diversions

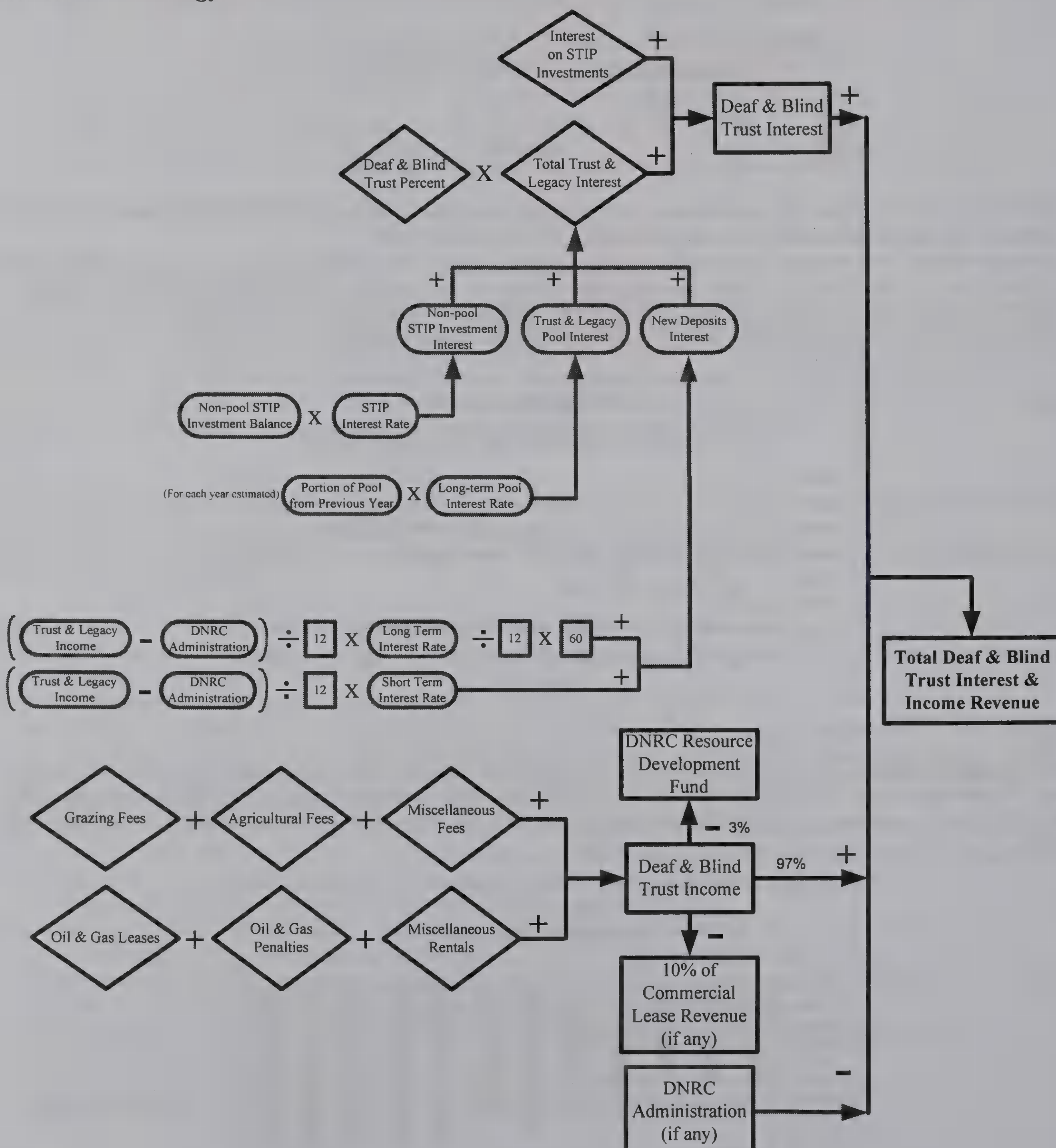
Diversions fund operational costs in DNRC, but reduce the amount of revenue distributed to the trust beneficiaries (see the figure below). To determine future diversion amounts, DNRC's present law budget amounts are used. The only diversion that affects distributable revenue is the three percent of all income from the trust that is diverted to an account to fund resource development on the trust lands.



Deaf and Blind Trust Interest and Income

Adjustments and Distribution
Once total revenue and total diversions have been estimated, the net amounts are distributed 100 percent to the state special revenue fund.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Deaf and Blind Trust Interest and Income

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Deaf & Blind Share T&L
Actual	2000	0.251003	0.000000			0.006369
Actual	2001	0.278974	0.000000			0.007485
Actual	2002	0.284290	0.000000	29.627056	0.102664	0.006697
Actual	2003	0.299569	0.000000	29.146744	0.068370	0.006947
Actual	2004	0.299050	0.000000	30.087011	0.053502	0.007029
Actual	2005	0.318818	0.000000	28.106281	0.269698	0.007072
Actual	2006	0.290605	0.000000	24.428206	0.408162	0.007029
Actual	2007	0.323431	0.000000	26.206838	0.267652	0.007275
Actual	2008	0.334289	0.000000	25.159580	0.128925	0.007867
Forecast	2009	0.333000	0.000000	24.474900	0.060973	0.007867
Forecast	2010	0.336000	0.000000	24.546204	0.048298	0.007867
Forecast	2011	0.342000	0.000000	24.620244	0.403768	0.007867

	t Fiscal	Trust Income New Deposit Millions	Trust Land Admin. Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2000	10.969295		7.0160%	5.4290%	11.676486
Actual	2001	12.667780	0.000000	6.8850%	4.7390%	6.984553
Actual	2002	2.348339	0.000000	6.3380%	2.5650%	7.334239
Actual	2003	2.363355	0.000000	5.7290%	1.3600%	6.242273
Actual	2004	2.971526	0.000000	5.3650%	1.2650%	7.049634
Actual	2005	1.457756	0.000000	5.1940%	2.3870%	12.106697
Actual	2006	1.425106	0.000000	5.2340%	4.0770%	3.862666
Actual	2007	7.173844	0.000000	5.4050%	4.7290%	14.953757
Actual	2008	3.101654	0.000000	5.3180%	3.1650%	2.461097
Forecast	2009	1.410837	0.000000	5.0540%	1.0530%	2.461097
Forecast	2010	1.522214	0.000000	4.8640%	0.5620%	2.461097
Forecast	2011	15.558806	0.000000	5.1560%	1.5650%	2.461097

	t Fiscal	Grazing Millions	Agriculture Millions	Misc. Millions	O&G Lease Millions	O&G Bonus Millions	O&G Penalty Millions	Misc. Millions
Actual	2000	0.030113	0.008628	0.000000	0.001980	0.001280	0.000000	0.046783
Actual	2001	0.040496	0.020937	0.000000	0.001440	0.000480	0.000000	0.021847
Actual	2002	0.040733	0.014776	0.000000	0.001740	0.000050	0.000000	0.030166
Actual	2003	0.042676	0.022940	0.000000	0.001740	0.000000	0.000000	0.032230
Actual	2004	0.038658	0.016168	0.000000	0.001740	0.000000	0.000000	0.033333
Actual	2005	0.047753	0.039470	0.000000	0.001740	0.000000	0.000000	0.032938
Actual	2006	0.050892	0.029866	0.000000	0.001740	0.000000	0.000000	0.036823
Actual	2007	0.061308	0.028854	0.000000	0.001740	0.000000	0.002650	0.040075
Actual	2008	0.056117	0.035755	0.000000	0.001740	0.000000	0.002900	0.043035
Forecast	2009	0.056117	0.038666	0.000000	0.001740	0.000000	0.002900	0.045276
Forecast	2010	0.056117	0.038666	0.000000	0.001740	0.000000	0.002900	0.047633
Forecast	2011	0.056117	0.038666	0.000000	0.001740	0.000000	0.002900	0.050113

Legislative Fiscal Division

Revenue Estimate Profile

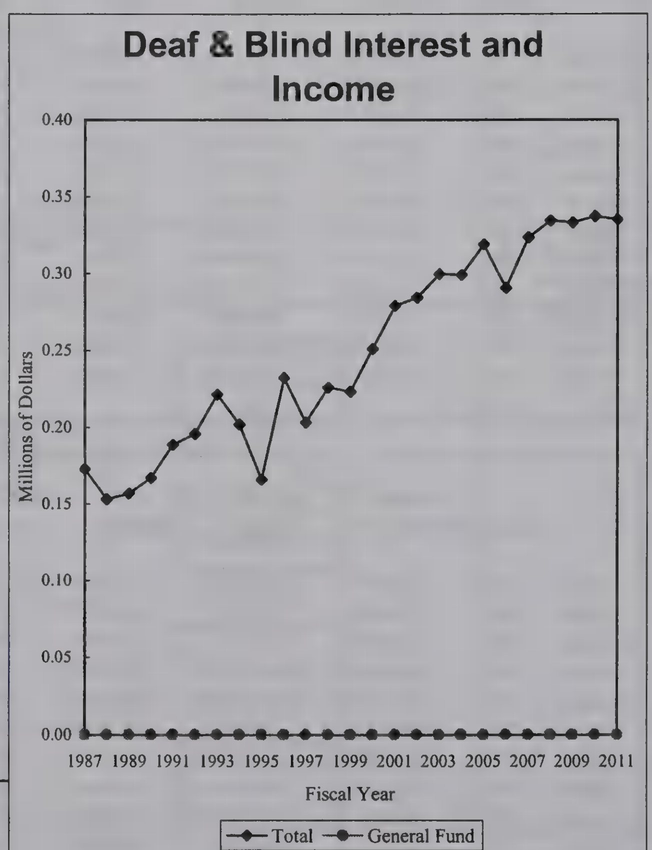
Deaf and Blind Trust Interest and Income

	t Fiscal	Int. Land Millions	Int. STIP Millions	Int. Trust Millions	Timber Millions	Res. Dev. Millions
Actual	2000	0.000000	0.000000	0.162218	0.000000	-0.002664
Actual	2001	0.000000	0.000000	0.196256	0.000000	-0.002482
Actual	2002	0.000000	0.000000	0.199373	0.000000	-0.002548
Actual	2003	0.000000	0.000000	0.202971	0.000000	-0.002988
Actual	2004	0.000000	0.000000	0.211848	0.000000	-0.002697
Actual	2005	0.000000	0.000000	0.200675	0.000000	-0.003758
Actual	2006	0.000000	0.000000	0.174578	0.000000	-0.003294
Actual	2007	0.000000	0.000000	0.192597	0.000000	-0.003793
Actual	2008	0.000000	0.000000	0.198956	0.000000	-0.004214
Forecast	2009	0.000000	0.000000	0.193024	0.000000	-0.004341
Forecast	2010	0.000000	0.000000	0.193485	0.000000	-0.004412
Forecast	2011	0.000000	0.000000	0.196864	0.000000	-0.004486

Total Rev. = Grazing + Agriculture + O&G Lease + O&G Bonus + O&G Penalty + Misc. + Int. Land + Int. Stip + Int. Trust + Timber + Res. Dev.

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.172649	0.000000	Not App.
A	1988	0.153017	0.000000	Not App.
A	1989	0.156725	0.000000	Not App.
A	1990	0.166856	0.000000	Not App.
A	1991	0.188508	0.000000	Not App.
A	1992	0.195590	0.000000	Not App.
A	1993	0.221242	0.000000	Not App.
A	1994	0.201764	0.000000	Not App.
A	1995	0.165804	0.000000	Not App.
A	1996	0.232032	0.000000	Not App.
A	1997	0.203021	0.000000	Not App.
A	1998	0.225615	0.000000	Not App.
A	1999	0.223009	0.000000	Not App.
A	2000	0.251003	0.000000	Not App.
A	2001	0.278974	0.000000	Not App.
A	2002	0.284290	0.000000	Not App.
A	2003	0.299569	0.000000	Not App.
A	2004	0.299050	0.000000	Not App.
A	2005	0.318818	0.000000	Not App.
A	2006	0.290605	0.000000	Not App.
A	2007	0.323431	0.000000	Not App.
A	2008	0.334289	0.000000	Not App.
F	2009	0.333000	0.000000	Not App.
F	2010	0.337000	0.000000	Not App.
F	2011	0.335000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Economic Development Trust Interest

Revenue Description: Article IX, Section 5 of the Montana Constitution requires that 50.0 percent of all coal severance tax revenue be deposited in a permanent coal trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. With the enactment of House Bill 249 by the 2005 Legislature, beginning fiscal 2006 the remaining funds are then split 50 percent (25 percent of total revenue) to the treasure state endowment trust fund, 25 percent (12.5 percent of total revenue) to the treasure state endowment regional water system trust fund, and 25 percent (12.5 percent of total revenue) to the big sky economic development trust fund. The permanent trust fund no longer receives coal severance tax revenue.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created trust funds bond pool (TFBP). The majority of permanent coal tax trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's short-term investment pool (STIP). In addition, state law provides that trust funds may be used for in-state commercial loans to stimulate economic development.

Statutory Reference:

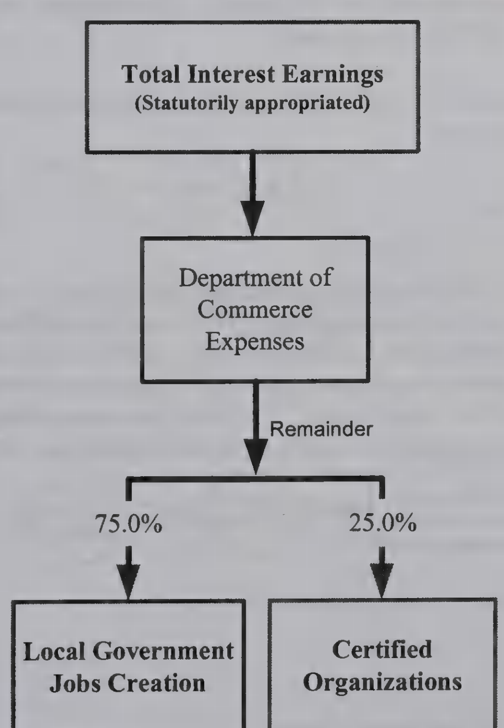
Tax Rate – NA
Distribution (MCA) – 17-5-703 (5b); use of earnings (90-1-205)
Date Due (MCA) – monthly (17-5-703(5b))

Applicable Tax Rate(s): N/A

Distribution: Interest earnings are deposited to a state special revenue fund and are statutorily appropriated to the Department of Commerce to pay administrative expenses with the remainder for:

1. 75% to local governments to be used for job creation; and
2. 25% to certified regional development corporations and economic development organizations

<u>Distribution Chart:</u>



Legislative Fiscal Division

Revenue Estimate Profile

Economic Development Trust Interest

Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue: N/A

- Economic Factors
  - Prevailing national interest and bond rates
  - Inflationary pressures
  - Coal price
  - Coal production costs
- Social Factors - None
- Legislative Factors
  - State legislative impacts
    - Coal severance tax and distribution related changes
    - Constitutional restrictions on types of investments (i.e. no investments in equities)
    - Appropriations from the trust sub-fund
  - Federal legislative impacts

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the big sky economic trust are obtained from the Board of Investments (BOI), Global Insight, and the state accounting system (SABHRS). The BOI provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by Global Insight and historic interest collections are obtained from SABHRS.

Analysis

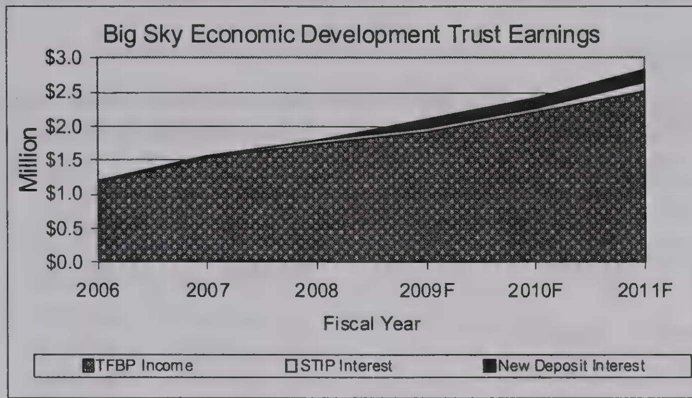
The economic trust was created from distributions of the coal severance tax. The economic trust was formed in fiscal 2006 as a sub-trust to the permanent coal trust. The Constitution requires that 50 percent of the coal severance tax collections be distributed to the coal trust, and 25 percent of that distribution (after the water bond debt service obligation is met) or 12.5 percent of total coal severance tax revenues is distributed to the Big Sky Economic Development trust. The principal or corpus of the trust now stands at $37.9 million. Estimates of future deposits to the trust are developed in the coal severance tax projection and are expected to be $5.3 million in fiscal 2009, $5.7 million in fiscal 2010, and $6.0 million in fiscal 2011.

To forecast the economic trust interest earnings, each of three interest/income components are estimated independently and combined. The estimated interest/income components include:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. To estimate TFBP earnings, the base year (fiscal 2008) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable new long-term rate for these securities is based on an average of four long-term rates projected by Global Insight. The fiscal year average long-term interest rate is expected to be 5.1 percent in fiscal year 2009, 4.9 percent in fiscal year 2010, and 5.2 percent in fiscal year 2011.

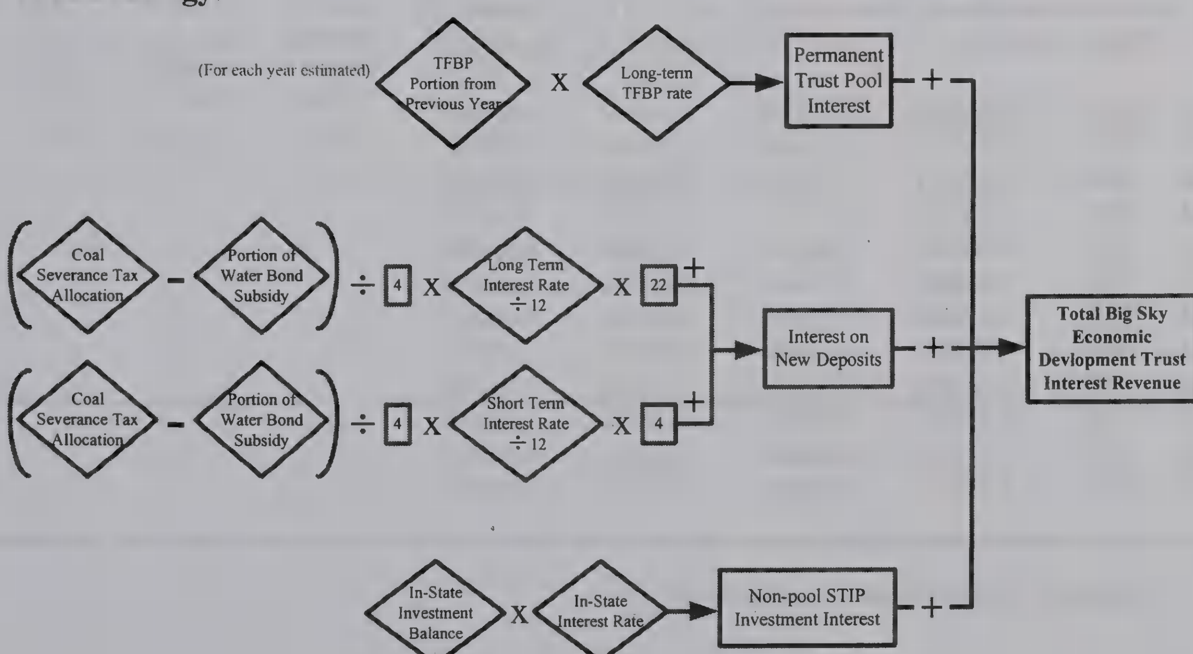
Economic Development Trust Interest



STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed, based on Global Insight projections of three short-term investments. The average of these rates is then converted to a fiscal year basis. The average fiscal year short-term interest rate is expected to be 1.1 percent in fiscal year 2009, 0.6 percent in fiscal year 2010, and 1.6 percent in fiscal year 2011.

Coal severance tax distributions to the trust are considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Economic Development Trust Interest

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Loan Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2000	0.000000	0.000000					
Actual	2001	0.000000	0.000000					
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2003	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2004	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2005	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2006	1.193690	0.000000	1.174442	0.019250	0.000000	23.608298	0.050562
Actual	2007	1.559210	0.000000	1.526434	0.032775	0.000000	29.122282	0.053540
Actual	2008	1.801342	0.000000	1.738420	0.062922	0.000000	37.683830	0.047801
Forecast	2009	2.091000	0.000000	1.921031	0.167410	0.000000	48.682314	0.042899
Forecast	2010	2.347000	0.000000	2.190510	0.152535	0.000000	54.423314	0.043052
Forecast	2011	2.695000	0.000000	2.469752	0.213012	0.000000	60.387314	0.044426

	t Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2000	0.000000	6.3380%	5.4290%	0.000000
Actual	2001	0.000000	6.8850%	4.7390%	0.000000
Actual	2002	0.000000	6.3380%	2.5650%	0.000000
Actual	2003	0.000000	5.7290%	1.3600%	0.000000
Actual	2004	0.000000	5.3650%	1.2650%	0.000000
Actual	2005	0.000000	5.1940%	2.3870%	0.000000
Actual	2006	4.477691	5.2340%	4.0770%	0.608562
Actual	2007	5.094842	5.4050%	4.7290%	0.272955
Actual	2008	5.666484	5.3180%	3.1650%	3.214739
Forecast	2009	5.332000	5.0540%	1.0530%	3.214739
Forecast	2010	5.741000	4.8640%	0.5620%	3.214739
Forecast	2011	5.964000	5.1560%	1.5650%	3.214739

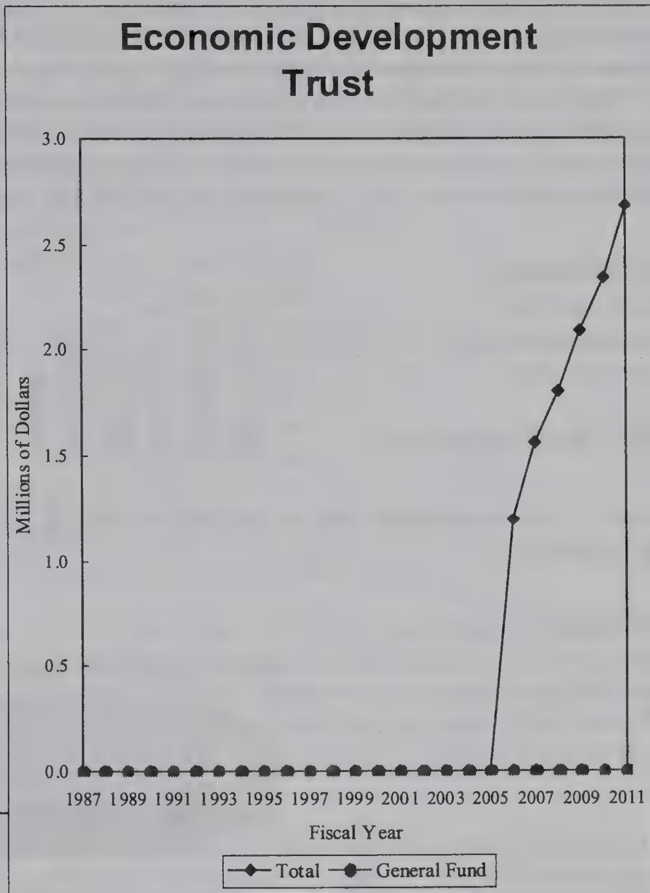
Total Rev. = Invested Balance * Average Return

Revenue Estimate Profile

Economic Development Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	0.000000	0.000000	Not App.
A	2001	0.000000	0.000000	Not App.
A	2002	0.000000	0.000000	Not App.
A	2003	0.000000	0.000000	Not App.
A	2004	0.000000	0.000000	Not App.
A	2005	0.000000	0.000000	Not App.
A	2006	1.193690	0.000000	Not App.
A	2007	1.559210	0.000000	Not App.
A	2008	1.801342	0.000000	Not App.
F	2009	2.088000	0.000000	Not App.
F	2010	2.343000	0.000000	Not App.
F	2011	2.683000	0.000000	Not App.



Legislative Fiscal Division
Revenue Estimate Profile
Parks Trust Interest

Revenue Description: Beginning in fiscal 1976, a portion of coal severance tax revenue was deposited into the Parks Acquisition and Arts Protection trust fund. The 1991 Legislature split the principal of this trust into two separate trusts, the Parks Acquisition trust (parks trust) and the Arts Protection trust (cultural trust), with coal severance taxes allocated to each one. Except for fiscal 2003, the amount of 1.27 percent of coal tax revenues is statutorily allocated to the parks trust for the purpose of parks acquisition or management. The August 2002 special legislative session eliminated the allocation for fiscal 2003 only. Income from the parks trust must be appropriated for the acquisition, development, operation, and maintenance of state parks, state recreational areas, state monuments, and state historical sites under control of the Department of Fish, Wildlife and Parks.

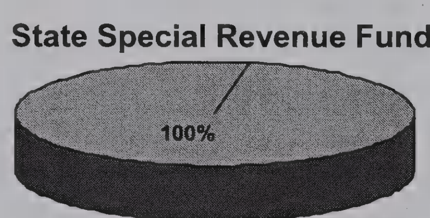
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 15-35-108(4)
Date Due – NA

Applicable Tax Rate(s): N/A

Distribution: Interest earnings on the parks trust are allocated to the Department of Fish, Wildlife, and Parks and deposited to a state special revenue fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this revenue source.

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the parks trust are obtained from the Board of Investments (BOI), Global Insight, and the state accounting system (SABHRS). The BOI provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by Global Insight and historic interest collections are obtained from SABHRS.

Analysis

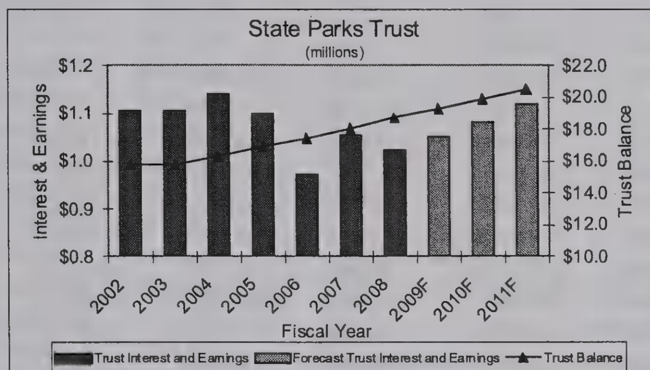
The parks trust, formed in the late 1970's, was created from distributions of the coal severance tax. The parks trust receives coal tax distributions at the rate of 1.27 percent of the total tax. In one year of budget stress, the coal tax distribution to the parks trust was temporarily eliminated. The principal or corpus of the parks trust now stands at $18.7 million, as demonstrated by the line in the figure below. Estimates of future deposits to the parks trust are developed in the coal severance tax projection and are expected to be $562,000 in fiscal 2009, $585,000 in fiscal 2010, and $613,000 in fiscal 2011.

To forecast the parks trust interest earnings, each of three interest/income components are estimated independently and combined. The estimated interest/income components include:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)

- New trust deposits

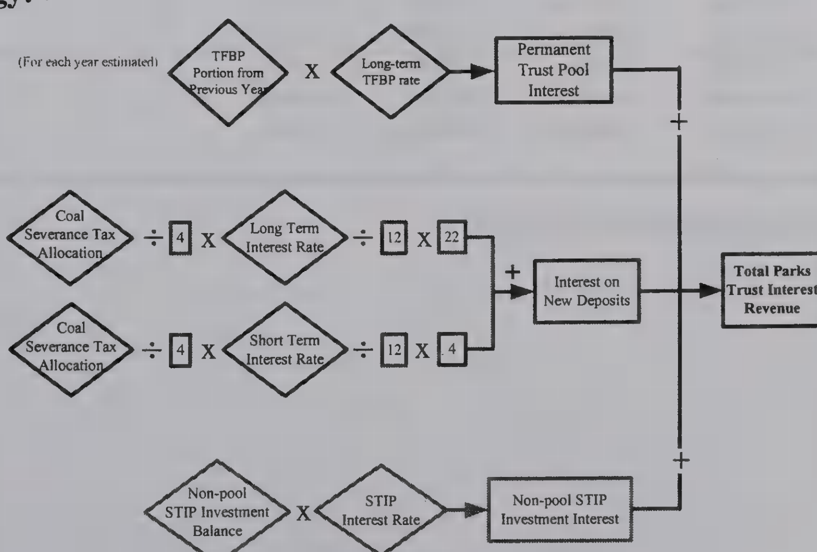
The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. To estimate TFBP earnings, the base year (fiscal 2008) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable long-term rate for these securities is based on an average of four long-term rates projected by Global Insight. The fiscal year average long-term interest rate is expected to be 5.1 percent in fiscal year 2009, 4.9 percent in fiscal year 2010, and 5.2 in fiscal year 2011.



STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed, based on Global Insight projections of three short-term investments. The average of these rates is then converted to a fiscal year basis. The average fiscal year short-term interest rate is expected to be 1.1 percent in fiscal year 2009, 0.6 percent in fiscal year 2010, and 1.6 percent in fiscal year 2011.

The 1.27 percent coal severance tax distribution to the parks trust is considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Parks Trust Interest

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2000	1.050621	0.000000				
Actual	2001	1.083002	0.000000				
Actual	2002	1.105962	0.000000	1.100417	0.005545		
Actual	2003	1.115050	0.000000	1.101342	0.002596		
Actual	2004	1.140447	0.000000	1.138429	0.002019	16.189248	0.070445
Actual	2005	1.100104	0.000000	1.095405	0.004699	16.772286	0.065591
Actual	2006	0.971827	0.000000	0.957207	0.014619	17.305023	0.056159
Actual	2007	1.055431	0.000000	1.034061	0.021370	17.949575	0.058800
Actual	2008	1.024699	0.000000	1.007553	0.017147	18.568502	0.055185
Forecast	2009	1.051000	0.000000	1.035637	0.015133	19.706217	0.053322
Forecast	2010	1.079000	0.000000	1.064040	0.014219	20.291217	0.053139
Forecast	2011	1.112000	0.000000	1.092494	0.017944	20.904217	0.053120

	t Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2000	0.450466	6.3380%	5.4290%	0.301775
Actual	2001	0.410682	6.8850%	4.7390%	0.177151
Actual	2002	0.401498	6.3380%	2.5650%	0.308519
Actual	2003	0.000000	5.7290%	1.3600%	0.140270
Actual	2004	0.400617	5.3650%	1.2650%	0.328045
Actual	2005	0.477958	5.1940%	2.3870%	0.236285
Actual	2006	0.454933	5.2340%	4.0770%	0.469081
Actual	2007	0.517636	5.4050%	4.7290%	0.513863
Actual	2008	0.575715	5.3180%	3.1650%	0.132916
Forecast	2009	0.562000	5.0540%	1.0530%	0.132916
Forecast	2010	0.585000	4.8640%	0.5620%	0.132916
Forecast	2011	0.613000	5.1560%	1.5650%	0.132916

Total Rev. = Invested Balance * Average Return

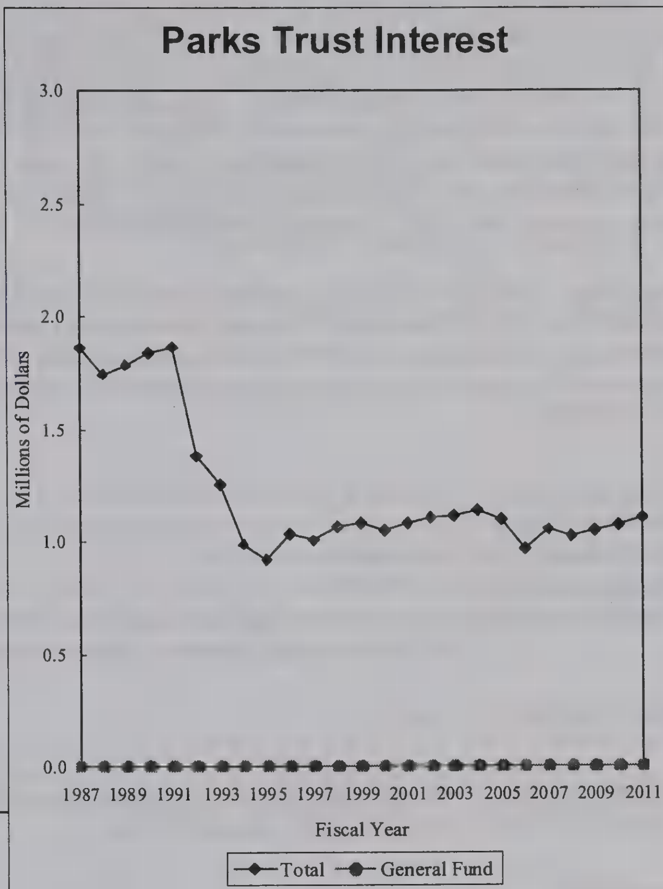
Legislative Fiscal Division

Revenue Estimate Profile

Parks Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	1.860405	0.000000	Not App.
A	1988	1.745652	0.000000	Not App.
A	1989	1.785198	0.000000	Not App.
A	1990	1.842276	0.000000	Not App.
A	1991	1.867393	0.000000	Not App.
A	1992	1.380377	0.000000	Not App.
A	1993	1.251443	0.000000	Not App.
A	1994	0.988100	0.000000	Not App.
A	1995	0.921642	0.000000	Not App.
A	1996	1.033231	0.000000	Not App.
A	1997	1.006658	0.000000	Not App.
A	1998	1.066300	0.000000	Not App.
A	1999	1.086035	0.000000	Not App.
A	2000	1.050621	0.000000	Not App.
A	2001	1.083002	0.000000	Not App.
A	2002	1.105962	0.000000	Not App.
A	2003	1.115050	0.000000	Not App.
A	2004	1.140447	0.000000	Not App.
A	2005	1.100104	0.000000	Not App.
A	2006	0.971827	0.000000	Not App.
A	2007	1.055431	0.000000	Not App.
A	2008	1.024699	0.000000	Not App.
F	2009	1.051000	0.000000	Not App.
F	2010	1.078000	0.000000	Not App.
F	2011	1.110000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income. These lands produce revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Income from certain portions of public school/institution lands has been designated for the support of the Pine Hills youth correctional facility. Thus, some of these funds are deposited into a component of the trust and legacy trust fund referred to as the Pine Hills trust, which generates interest earnings for the state. As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Funds Bond Pool (TFBP). The majority of trust and legacy trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state constitution prohibits the investment of the permanent trust in common stock.

With the enactment of SB 65 by the 2009 Legislature, up to 25 percent of Pine Hills revenue can be diverted to the trust land administration account to fund Department of Natural Resources and Conservation (DNRC) administration costs. A portion of timber sale revenue can also be diverted to fund DNRC administration costs. The amount of the money diverted from the Pine Hills trust reduces the growth of the trust fund balance and, hence, reduces the amount of future distributable interest earnings. The legislation is effective July 1, 2009.

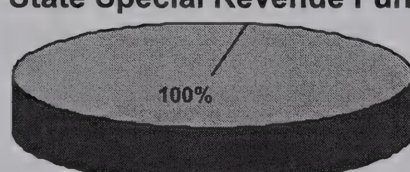
Statute:

Tax Rate – NA
Distribution (MCA) – 17-3-1003
Enabling Act, Sections 11 & 17
Other (MCA) – DNRC trust land administration diversion (77-1-108 & 109)
DNRC land bank administration diversion (77-2-362)

Applicable Tax Rate(s): N/A

Distribution: Interest and income from the trust, net of amounts to fund DNRC administration, is allocated to the Department of Corrections for support of the Pine Hills youth correctional facility.

Distribution Chart:



Summary of Legislative Action:

Senate Bill 65 – This legislation makes numerous fiscal changes that affect the various land trusts and how revenues are distributed and used and how administrative costs are funded. Affected land trusts include the common school, capital land grant, deaf and blind, and pine hills. Four state special revenue accounts that had previously received portions of various income components that funded specific activities are eliminated. These accounts are: 1) resource development; 2) state timber sale; 3) state lands recreational use; and 4) commercial leasing. Balances in these accounts at the end of FY 2009 are transferred by September 2009 to the earnings reserve account (discussed below). All activities that had been funded by these accounts will now be funded from the trust land administration state special revenue account. Up to an amount of revenue equal to 25 percent of distributable revenue generated from each trust (except revenue from the forest improvement fee) in the fiscal year completed prior to a legislative session is deposited to the account to be appropriated by the legislature. This revenue can be derived from: 1) distributable revenue; 2) sale of easements; 3) timber, except from public school and Montana university system lands; 4) mineral royalties; and 5) fees from sales of state lands except lands granted by the Morrill Act. If the amount of revenue deposited to the trust land administration account for a specific land trust exceeds that trust's administrative costs, up to 1/3 of the excess revenue (excluding revenue from sales of easements, sale of timber, mineral royalties, non-distributable sources, and the $80,000 biennial transfer of general fund) may be transferred to the newly established earnings reserve state special revenue account at the end of a fiscal year. Money in this account may be used if revenue deposits to the trust land administration account are insufficient to fund costs. The remaining revenue must be transferred to the trust's permanent

fund. The balance in the earnings reserve account may not exceed twice the appropriation to the trust land administration account for the last completed fiscal year prior to a legislation session. Costs and revenue deposits must be identified and accounted for by trust.

For the pine hills trust, revenue to the state special revenue account decreases $5,951 in FY 2010 and $5,951 in FY 2011 because administrative costs of the trust will no longer be subsidized by the common school trust. Because balances of the accounts eliminated by the legislation are to be deposited proportionally to the earnings reserve account for the land trust from which the revenue was derived, the pine hills trust earnings reserve account receives $5,989 in FY 2010.

Pine Hills Interest and Income -- Legislation Passed by 61st Legislature
Estimated State Special Revenue Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
SB0065 Revise trust land funding laws		38	(5,951)
Total Estimated State Special Revenue Fund Impact	$0	$38	($5,951)

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

The estimate for interest and income from the Pine Hills trust is conducted with the goal of deriving the net amount of revenue that will be distributed to the trust beneficiary. This means that in addition to estimating the various distributable revenues from the capital land grant trust, estimates of the various diversions that reduce the amount of distributable revenue must also be estimated. Therefore, the estimated amounts shown for this revenue source are not total revenues, but are net of diversions. Permanent revenue (revenue that is not distributed, but remains in the trust such as from timber and mineral royalties), is estimated as part of the entire Trust and Legacy account (T & L) and earnings are portioned to this trust according to the number of shares owned.

Data

Data from SABHRS provide a history of each individual interest and income revenue component from which estimates can be made. Department of Natural Resources and Conservation (DNRC) annual reports provide additional information such as mineral prices and production and timber estimates. Budget submissions on the state budgeting system (MBARS) provide anticipated amount of diversions.

Analysis

The estimate is derived by first estimating the distributable revenue components and then estimating the amounts of the diversions.

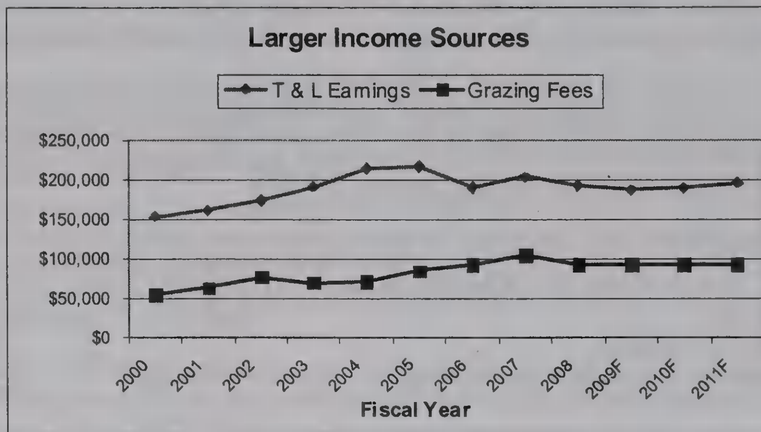
Revenue Components

1. Trust and Legacy Earnings (see the figure below) – The monetary assets of the trust are pooled with monetary assets of other land trusts in the T & L and invested by the Board of Investment in the trust funds bond pool. Based on the number of share each trust owns, a share of the earnings is deposited in each trust. For the Pine Hills trust, the actual FY 2008 share percentage of 0.77 is used. The estimation of the total pool earnings is a three stage process:
   - Earnings from new deposits – New deposits in the pool are estimated to be in $1.6 million in FY 2009, $8.5 million in FY 2010 and $22.6 million in FY 2011. This additional money initially earns interest at the short-term rate (1.5 percent in FY 2009, 1.7 percent in FY 2010, and 3.2 percent in FY 2011) before it is invested in a longer term investment (5.5 percent in FY 2009, 5.5 percent in FY 2010, and 5.7 percent in FY 2011).
   - Earnings from existing balance – The pool balance in FY 2008 was $439.2 million. The majority of these funds have been invested in bonds purchased over the past several year and average a return rate of 5.6 percent.
   - Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate of 1.7 in FY 2009, 2.0 percent in FY 2010, and 4.0 percent in FY 2011 on a balance of $2.5 million, the actual balance from FY 2008.

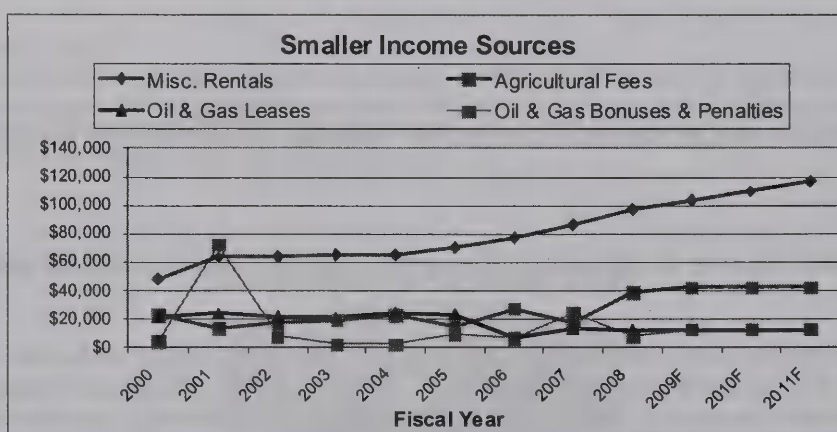
Once the total amount of the pool earnings has been estimated by summing the above three items, the Pine Hills trust share of 0.77 percent is applied.

2. Grazing Fees – Rates are tied to the price of cattle. Cattle prices are expected to be close to those experienced in FY 2008, perhaps slightly less. DNRC personnel anticipate the grazing fee revenue will be similar to FY 2008.

Pine Hills Interest and Income

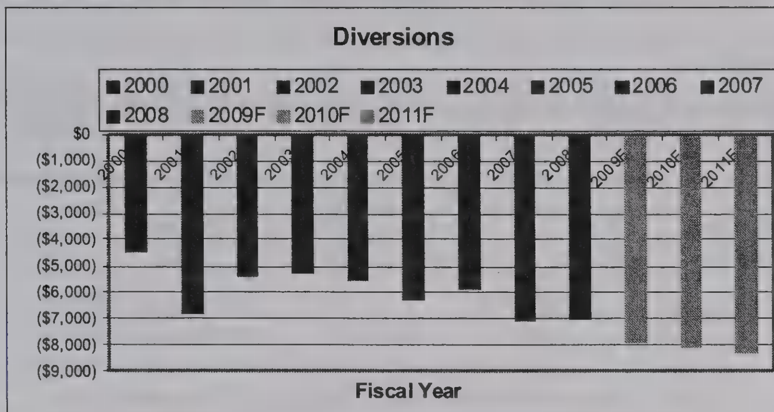


3. Miscellaneous Rentals - These are small income components that are combined and estimated together. For each fiscal year estimated, the estimate is based on the growth rate between FY 2002 and FY 2008.
4. Agricultural Fees – Fees are based on a crop share basis. Commodity prices are expected to be higher than FY 2008 resulting in greater returns. DNRC personnel anticipate that overall revenue will be about $1.0 million more than FY 2008 levels (see the figure below). Based on this information, revenues are increased in FY 2009 and remain constant through FY 2010 and FY 2011.
5. Oil & Gas Leases – For each fiscal year estimated, the estimate is the average of the previous three years.
6. Oil & Gas Bonuses & Penalties – No revenue was received in FY 2008. This is continued into the future.



<u>Diversions</u>

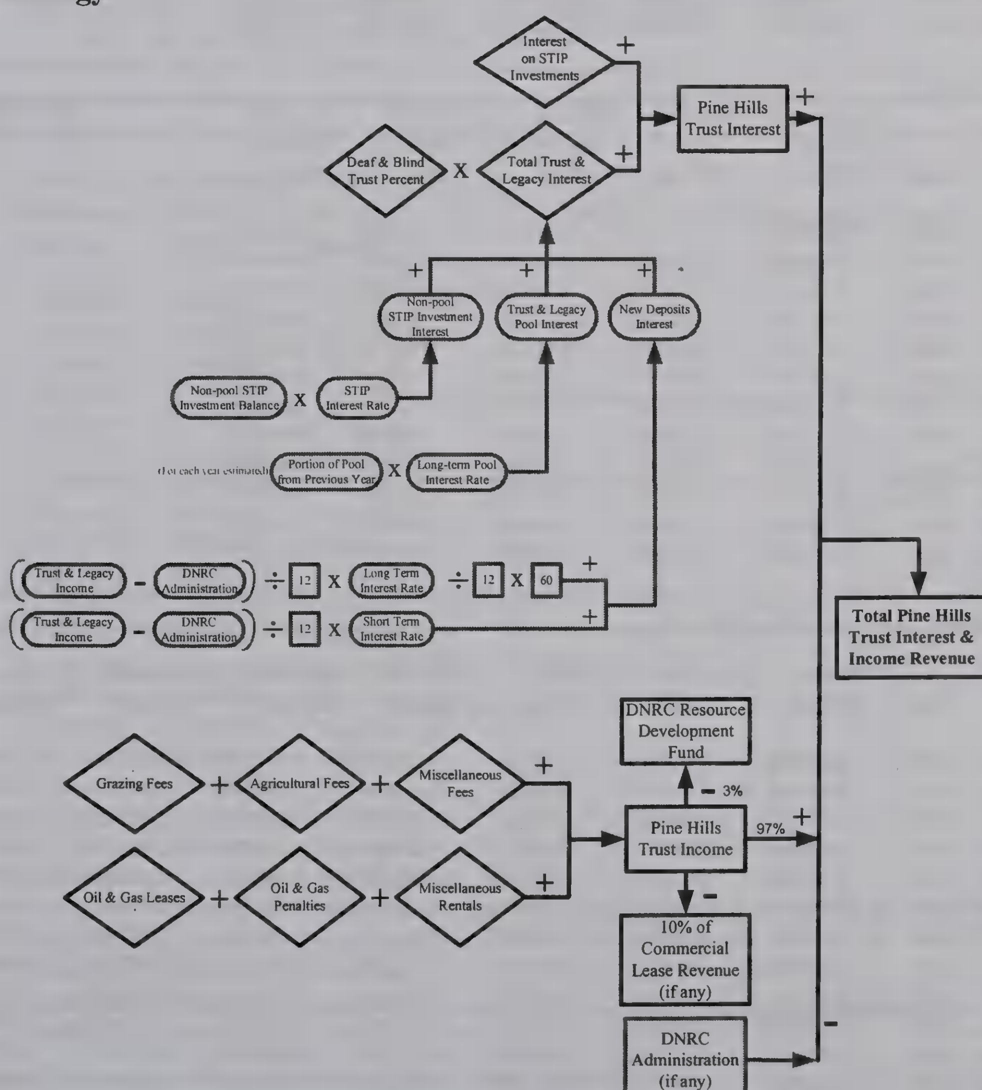
Diversions fund operational costs in DNRC, but reduce the amount of revenue distributed to the trust beneficiaries (see the figure below). To determine future diversion amounts, DNRC's present law budget amounts are used. The only diversion that affects distributable revenue is the three percent of all income from the trust that is diverted to an account to fund resource development on the trust lands.



Adjustments and Distribution

Once total revenue and total diversions have been estimated, the net amounts are distributed 100 percent to the state special revenue fund.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Pine Hills Share T&L
Actual	2000	0.304760	0.000000			0.006048
Actual	2001	0.390483	0.000000			0.006167
Actual	2002	0.355497	0.000000	29.627056	0.102664	0.005835
Actual	2003	0.364450	0.000000	29.146744	0.068370	0.006580
Actual	2004	0.394224	0.000000	30.087011	0.053502	0.007114
Actual	2005	0.415343	0.000000	28.106281	0.269698	0.007685
Actual	2006	0.396937	0.000000	24.428206	0.408162	0.007729
Actual	2007	0.442814	0.000000	26.206838	0.267652	0.007726
Actual	2008	0.434822	0.000000	25.159580	0.128925	0.007661
Forecast	2009	0.443000	0.000000	24.474900	0.060973	0.007661
Forecast	2010	0.450000	0.000000	24.546204	0.048298	0.007661
Forecast	2011	0.460000	0.000000	24.620244	0.403768	0.007661

	t Fiscal	Trust Income New Deposit Millions	Trust Land Admin. Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2000	10.969295		7.0160%	5.4290%	11.676486
Actual	2001	12.667780	0.000000	6.8850%	4.7390%	6.984553
Actual	2002	2.348339	0.000000	6.3380%	2.5650%	7.334239
Actual	2003	2.363355	0.000000	5.7290%	1.3600%	6.242273
Actual	2004	2.971526	0.000000	5.3650%	1.2650%	7.049634
Actual	2005	1.457756	0.000000	5.1940%	2.3870%	12.106697
Actual	2006	1.425106	0.000000	5.2340%	4.0770%	3.862666
Actual	2007	7.173844	0.000000	5.4050%	4.7290%	14.953757
Actual	2008	3.101654	0.000000	5.3180%	3.1650%	2.461097
Forecast	2009	1.410837	0.000000	5.0540%	1.0530%	2.461097
Forecast	2010	1.522214	0.000000	4.8640%	0.5620%	2.461097
Forecast	2011	15.558806	0.000000	5.1560%	1.5650%	2.461097

	t Fiscal	Grazing Millions	Agriculture Millions	Misc. Millions	O&G Lease Millions	O&G Bonus Millions	O&G Penalty Millions	Misc. Millions
Actual	2000	0.054682	0.022855	0.047965	0.021231	0.000000	0.003895	0.000000
Actual	2001	0.063912	0.013002	0.063100	0.023526	0.066599	0.005510	0.000000
Actual	2002	0.077707	0.016967	0.063512	0.021550	0.000000	0.007482	0.000000
Actual	2003	0.070606	0.019163	0.064658	0.020743	0.000000	0.002359	0.000000
Actual	2004	0.071968	0.022278	0.065266	0.023583	0.000000	0.002283	0.000000
Actual	2005	0.085325	0.014803	0.070596	0.023390	0.000590	0.008881	0.000000
Actual	2006	0.093321	0.027332	0.076718	0.006895	0.002960	0.003690	0.000000
Actual	2007	0.104635	0.016818	0.086005	0.013333	0.017263	0.007328	0.000000
Actual	2008	0.093089	0.038769	0.097085	0.011653	0.000000	0.007528	0.000000
Forecast	2009	0.093089	0.041926	0.103153	0.012493	0.000000	0.012493	0.000000
Forecast	2010	0.093089	0.041926	0.109600	0.012493	0.000000	0.012493	0.000000
Forecast	2011	0.093089	0.041926	0.116450	0.012493	0.000000	0.012493	0.000000

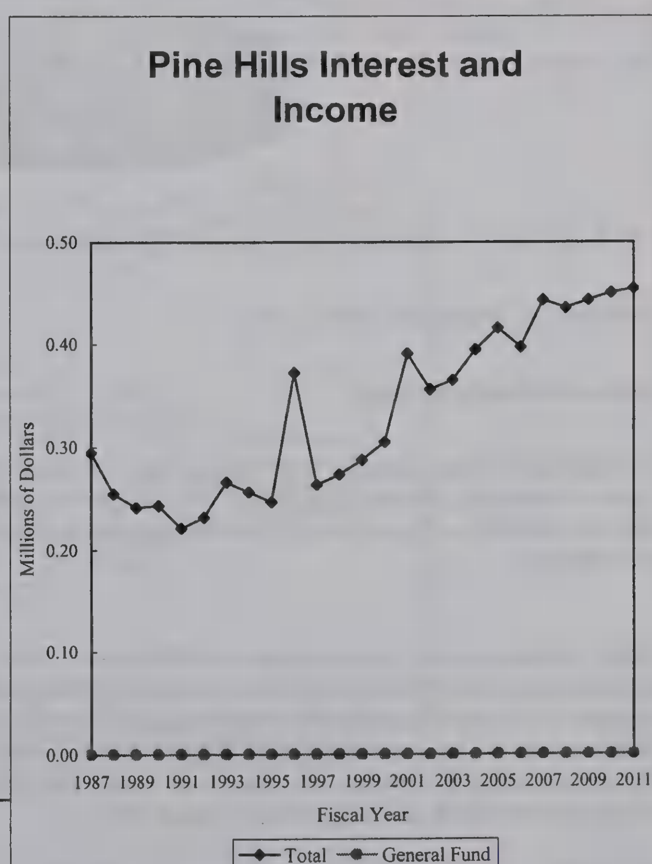
Pine Hills Interest and Income

	t Fiscal	Int. Land Millions	Int. STIP Millions	Int. Trust Millions	Timber Millions	Res. Dev. Millions
Actual	2000	0.000000	0.000086	0.154047	0.000000	-0.004521
Actual	2001	0.000000	0.000000	0.161698	0.000000	-0.006864
Actual	2002	0.000000	0.000000	0.173729	0.000000	-0.005450
Actual	2003	0.000000	0.000000	0.192247	0.000000	-0.005326
Actual	2004	0.000000	0.000000	0.214407	0.000000	-0.005561
Actual	2005	0.000000	0.000000	0.218058	0.000000	-0.006300
Actual	2006	0.000000	0.000000	0.191952	0.000000	-0.005931
Actual	2007	0.000000	0.000000	0.204540	0.000000	-0.007108
Actual	2008	0.000000	0.000000	0.193741	0.000000	-0.007043
Forecast	2009	0.000000	0.000000	0.187969	0.000000	-0.007895
Forecast	2010	0.000000	0.000000	0.188418	0.000000	-0.008088
Forecast	2011	0.000000	0.000000	0.191709	0.000000	-0.008294

Total Rev. = Grazing + Agriculture + O&G Lease + O&G Bonus + O&G Penalty + Misc. +
Int. Land + Int. Stip + Int. Trust + Timber + Res. Dev.

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.294555	0.000000	Not App.
A	1988	0.254980	0.000000	Not App.
A	1989	0.241441	0.000000	Not App.
A	1990	0.243307	0.000000	Not App.
A	1991	0.221278	0.000000	Not App.
A	1992	0.231828	0.000000	Not App.
A	1993	0.266031	0.000000	Not App.
A	1994	0.256412	0.000000	Not App.
A	1995	0.246726	0.000000	Not App.
A	1996	0.371743	0.000000	Not App.
A	1997	0.263606	0.000000	Not App.
A	1998	0.273282	0.000000	Not App.
A	1999	0.287506	0.000000	Not App.
A	2000	0.304760	0.000000	Not App.
A	2001	0.390483	0.000000	Not App.
A	2002	0.355497	0.000000	Not App.
A	2003	0.364450	0.000000	Not App.
A	2004	0.394224	0.000000	Not App.
A	2005	0.415343	0.000000	Not App.
A	2006	0.396937	0.000000	Not App.
A	2007	0.442814	0.000000	Not App.
A	2008	0.434822	0.000000	Not App.
F	2009	0.443000	0.000000	Not App.
F	2010	0.450000	0.000000	Not App.
F	2011	0.454000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Regional Water Trust Interest

Revenue Description: The 1999 Legislature (Senate Bill 220) created the Treasure State Endowment (TSE) Regional Water System Fund within the permanent coal tax trust fund. The fund receives 12.5 percent of total coal severance tax collections through June 2016. Interest earned on the fund is used to provide matching funds to plan and construct regional drinking water systems in Montana and fund state and local entity administrative expenses. Except for administrative expenses, each state dollar must be matched equally by local funds. The funds in the account are further restricted to finance regional drinking water systems from the waters of the Tiber reservoir and the Missouri River within specific geographic areas. The deposit of coal severance tax revenue to this fund terminates the end of fiscal 2016.

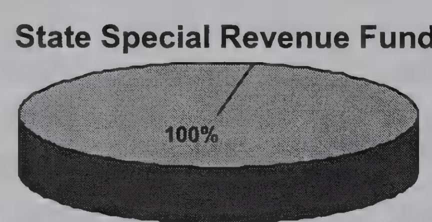
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 17-5-703 (4b); use of earnings (90-6-715)
Date Due (MCA) – monthly (17-5-703(4d))

Applicable Tax Rate(s): NA

Distribution: Interest earnings are deposited to a state special revenue fund and appropriated to the Department of Natural Resources and Conservation to fund eligible projects and pay administrative expenses.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this revenue source.

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the regional water trust are obtained from the Board of Investments (BOI), Global Insight, and the state accounting system (SABHRS). The BOI provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by Global Insight and historic interest collections are obtained from SABHRS.

Analysis

The regional water trust was created from distributions of the coal severance tax. The regional water trust was formed in 2000 as a sub-trust to the permanent coal trust. The Constitution requires that 50 percent of the coal severance tax collections be distributed to the coal trust, and 25 percent of that distribution (after the water bond debt service obligation is met) or 12.5 percent of total coal severance tax revenues is distributed to the regional water trust. The principal or corpus of the regional water trust now stands at $44.0 million. Estimates of future deposits to the trust are developed in the coal severance tax projection and are expected to be $5.3 million in fiscal 2009, $5.7 million in fiscal 2010, and $6.0 million in fiscal 2011.

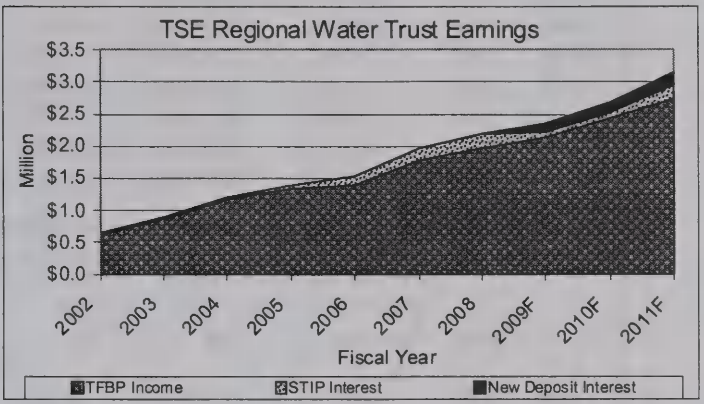
To forecast the regional water trust interest earnings, each of three interest/income components are estimated independently and combined. The estimated interest/income components include:

- Trust fund bond pool (TFBP)

- Short-term investment pool (STIP)
- New trust deposits

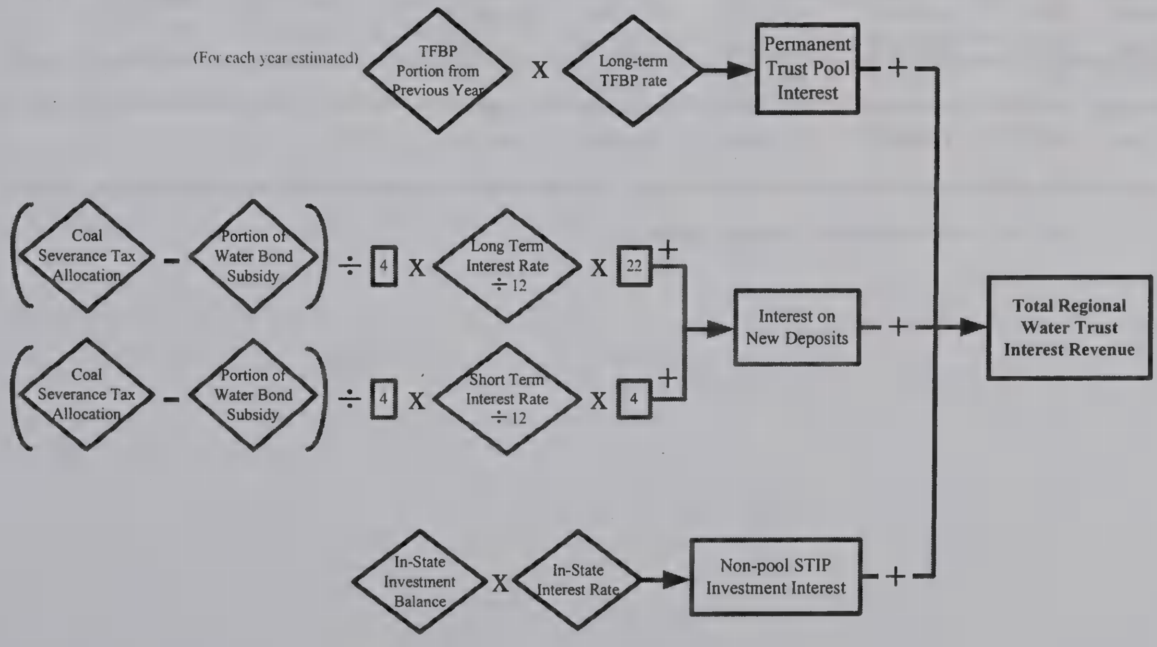
The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. To estimate TFBP earnings, the base year (fiscal 2008) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable long-term rate for these securities is based on an average of four long-term rates projected by Global Insight. The fiscal year average long-term interest rate is expected to be 5.1 percent in fiscal year 2009, 4.9 percent in fiscal year 2010, and 5.2 percent in fiscal year 2011.

STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed, based on Global Insight projections of three short-term investments. The average of these rates is then converted to a fiscal year basis. The average fiscal year short-term interest rate is expected to be 1.1 percent in fiscal year 2009, 0.6 percent in fiscal year 2010, and 1.6 percent in fiscal year 2011.



Coal severance tax distributions to the regional water trust are considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Regional Water Trust Interest

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Loan Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2000	0.032058	0.000000					
Actual	2001	0.370163	0.000000					
Actual	2002	0.643133	0.000000	0.610527	0.032606	0.000000		
Actual	2003	0.894258	0.000000	0.864661	0.029598	0.000000		
Actual	2004	1.201061	0.000000	1.173660	0.027401	0.000000	20.942460	0.057351
Actual	2005	1.396302	0.000000	1.340362	0.055941	0.000000	24.913396	0.056046
Actual	2006	1.527443	0.000000	1.390830	0.136614	0.000000	30.573159	0.049960
Actual	2007	1.978817	0.000000	1.772345	0.206472	0.000000	36.505390	0.054206
Actual	2008	2.174930	0.000000	1.969567	0.205364	0.000000	43.857799	0.049591
Forecast	2009	2.331000	0.000000	2.131575	0.196643	0.000000	54.856283	0.042442
Forecast	2010	2.573000	0.000000	2.401054	0.168829	0.000000	60.597283	0.042409
Forecast	2011	2.951000	0.000000	2.680296	0.260935	0.000000	66.561283	0.044188

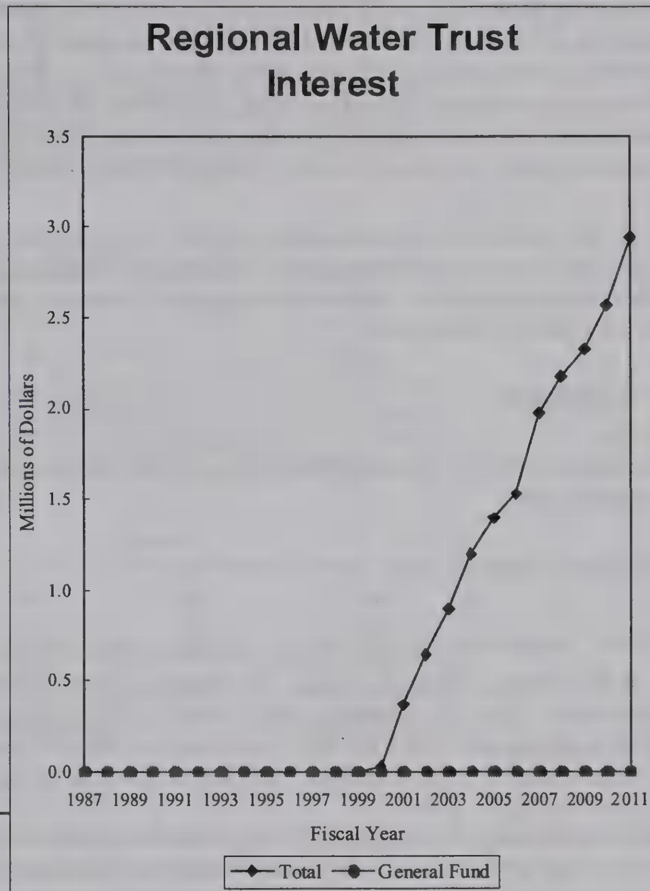
	t Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2000	4.433724	6.3380%	5.4290%	3.441977
Actual	2001	4.042147	6.8850%	4.7390%	0.845223
Actual	2002	3.951756	6.3380%	2.5650%	1.578601
Actual	2003	3.677943	5.7290%	1.3600%	1.894047
Actual	2004	3.943085	5.3650%	1.2650%	2.693965
Actual	2005	4.704314	5.1940%	2.3870%	2.765447
Actual	2006	4.477691	5.2340%	4.0770%	3.825680
Actual	2007	5.094842	5.4050%	4.7290%	3.908386
Actual	2008	5.666484	5.3180%	3.1650%	5.610920
Forecast	2009	5.332000	5.0540%	1.0530%	5.610920
Forecast	2010	5.741000	4.8640%	0.5620%	5.610920
Forecast	2011	5.964000	5.1560%	1.5650%	5.610920

Total Rev. = Invested Balance * Average Return

Legislative Fiscal Division
Revenue Estimate Profile
Regional Water Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	0.032058	0.000000	Not App.
A	2001	0.370163	0.000000	Not App.
A	2002	0.643133	0.000000	Not App.
A	2003	0.894258	0.000000	Not App.
A	2004	1.201061	0.000000	Not App.
A	2005	1.396302	0.000000	Not App.
A	2006	1.527443	0.000000	Not App.
A	2007	1.978817	0.000000	Not App.
A	2008	2.174930	0.000000	Not App.
F	2009	2.328000	0.000000	Not App.
F	2010	2.570000	0.000000	Not App.
F	2011	2.941000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Trust Interest

Revenue Description: Article IX, Section 2 of the Montana Constitution and Title 15, Chapter 38, MCA, requires that certain resource extraction taxes, as determined by the legislature, be placed in a trust. The principal of the Resource Indemnity Trust (RIT) "shall forever remain inviolate in an amount of one hundred million dollars ($100,000,000), guaranteed by the state against loss or diversion." Once the principal of the trust reaches $100.0 million, any additional tax deposits may be appropriated. Interest earnings on the RIT are to be spent to improve the total environment and rectify damage to the environment. It is also the legislature's intent that the use of interest earnings for operations of state government be minimized.

On July 1, 2002 the Governor by executive order certified to the Secretary of State that the RIT balance had reached $100 million. In prior years, the RIT had received revenue from the resource indemnity and ground water assessment tax and the oil and gas tax. Because these allocations of revenue are no longer deposited to the trust, the trust balance will remain constant and interest earnings will be dependent only on the interest rates.

Statutory Reference:

Tax Rate – NA
Distribution (MCA) – Montana Constitution, Article IX, Section 2; 15-38-202(2), use of earnings (15-38-203)
Date Due – NA

Applicable Tax Rate(s): N/A

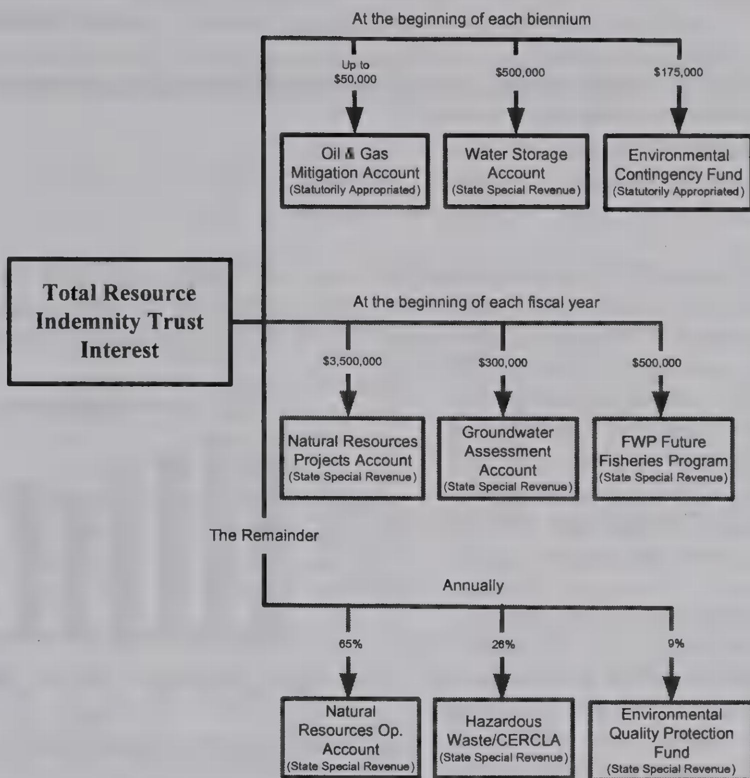
Distribution: Statute allocates RIT interest earnings in the following manner:

1) at the beginning of the biennium, an amount not to exceed $50,000 to the oil and gas mitigation account to bring the balance up to $200,000. Money in this account is statutorily appropriated to the Board of Oil and Gas Conservation for the cost of plugging wells that have been abandoned and for which no responsible party can be found;
2) at the beginning of the biennium, $500,000 to the water storage state special revenue account to provide loans and grants for water storage projects;
3) at the beginning of the biennium, $175,000 to the environmental contingency fund which is statutorily appropriated upon authorization of the Governor for unanticipated public needs arising from certain disasters and emergencies;
4) $3.5 million annually to the natural resources projects state special revenue account for distribution as grants;
5) $300,000 annually to the ground water assessment account to improve ground water management and protection;
6) $500,000 annually to the future fisheries program for bull trout and cutthroat trout recovery; and
7) of the remaining RIT interest earnings: a) 65 percent to the natural resources operations state special revenue account for program and administrative costs; b) 26 percent to the hazardous waste/CERCLA state special revenue account for superfund activities; and c) 9.0 percent to the environmental quality protection state special revenue fund for additional clean-up activities.

The Department of Natural Resources and Conservation administers two of the RIT interest accounts which are used for grants, loans, and administrative costs: the renewable resource grant and loan program account and the reclamation and development grant account. These accounts also receive funding from other sources. All grants and loans made from these accounts require legislative approval. Grants must also be appropriated.

Resource Indemnity Trust Interest

Distribution Chart:



Summary of Legislative Action:

Senate Bill 62 – The legislation was introduced to clarify whether the distribution of $175,000 of resource indemnity trust interest earnings to the environmental contingency account was to be on an annual or biennial basis. Revenue estimates contained in HJ 2 were based on an annual distribution. As enacted, the legislation sets the distribution to be once a biennium. The legislation has no net effect on state special revenue. However, in FY 2011 revenue deposited to the: 1) environmental contingency account is reduced $175,000; 2) natural resource operations account is increased $113,750; 3) hazardous waste/CERCLA account is increased $45,500; and 4) environmental quality protection fund is increased $15,750. The bill is effective on passage and approval.

RIT Trust Interest – Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
SB0062 Fix discrepancy in environmental contingency account funding			
Total Estimated General Fund Impact	$0	$0	$0

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the resource indemnity (RIT) trust are obtained from the Board of Investments (BOI), Global Insight, and the state accounting system (SABHRS). The BOI provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by Global Insight and historic interest collections are obtained from SABHRS.

Analysis

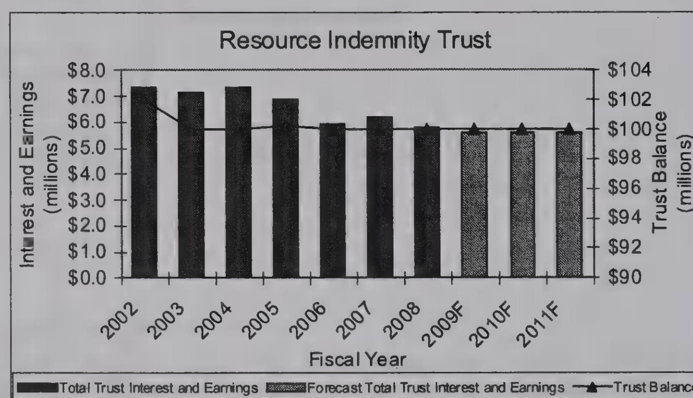
The RIT trust, formed in the mid 1970's, was created from distributions of the resource indemnity and ground water assessment tax (RIGWA) and the oil and gas tax. The resource indemnity trust reached its constitutionally required principal of $100 million in fiscal

2002. As a result, the trust no longer receives new income from tax distributions. The principal or corpus of the resource indemnity trust now stands at $100.0 million, as shown by the line in the figure below. No new deposits are anticipated for the trust.

To forecast the resource indemnity trust interest earnings, each of three interest/income components are estimated independently and combined. The estimated interest/income components include:

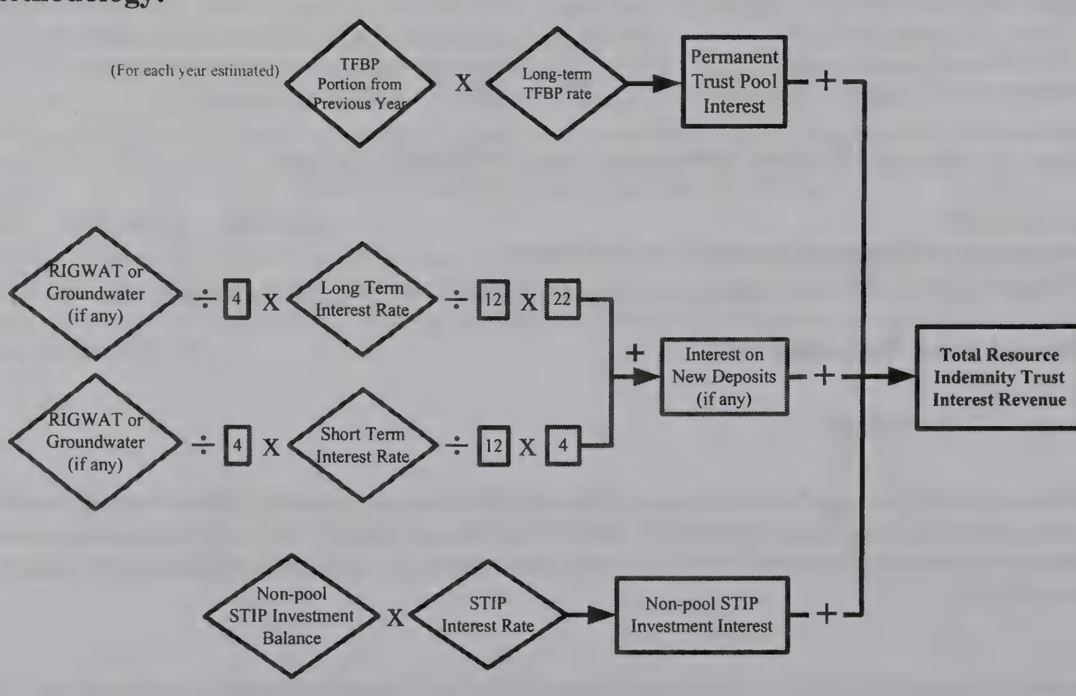
- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits (if anticipated)

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. To estimate TFBP earnings, the base year (fiscal 2008) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable long-term rate for these securities is based on a two-year average of four long-term rates projected by Global Insight. The fiscal year long-term rate is estimated to be 5.1 percent, 4.9 percent, and 5.2 percent for fiscal years 2009 through 2011, respectively. The applicable rates are multiplied by the trust balance to determine earnings.



STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed, based on Global Insight projections of three short-term investments. The average of these rates is then converted to a fiscal year basis. Because no new deposits are anticipated for the trust, STIP earnings are projected for only non-pool balances estimated at the FY 2008 amount.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2000	9.184060	0.000000				
Actual	2001	7.305993	0.000000				
Actual	2002	7.320563	0.000000	7.286083	0.034480		
Actual	2003	7.174342	0.000000	7.161271	0.013072		
Actual	2004	7.380242	0.000000	7.375168	0.005073	100.644275	0.073330
Actual	2005	6.247097	0.000000	6.889636	0.012289	100.909672	0.068397
Actual	2006	5.915563	0.000000	5.896878	0.018684	100.506457	0.058858
Actual	2007	6.220240	0.000000	6.197611	0.022629	100.722508	0.061756
Actual	2008	5.800854	0.000000	5.785649	0.015204	100.503825	0.057718
Forecast	2009	5.580000	0.000000	5.573199	0.006147	100.503825	0.055514
Forecast	2010	5.577000	0.000000	5.573199	0.003426	100.503825	0.055487
Forecast	2011	5.583000	0.000000	5.573199	0.010077	100.503825	0.055553

	t Fiscal	Net Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2000	3.391472	6.3380%	5.4290%	3.712675
Actual	2001	2.205880	6.8850%	4.7390%	1.557391
Actual	2002	1.588631	6.3380%	2.5650%	2.175871
Actual	2003	0.000000	5.7290%	1.3600%	0.740511
Actual	2004	-0.000188	5.3650%	1.2650%	0.644299
Actual	2005	0.252454	5.1940%	2.3870%	0.909696
Actual	2006	0.000000	5.2340%	4.0770%	0.506481
Actual	2007	0.000000	5.4050%	4.7290%	0.722532
Actual	2008	0.000000	5.3180%	3.1650%	0.503849
Forecast	2009	0.000000	5.0540%	1.0530%	0.503849
Forecast	2010	0.000000	4.8640%	0.5620%	0.503849
Forecast	2011	0.000000	5.1560%	1.5650%	0.503849

	t Fiscal	Hazardous Waste Millions	Environmental Quality Millions	Renewable Resource Millions	Reclamation Development Millions	Environmental Contingency Millions
Actual	2000	0.941319	0.319852	3.721445	3.176444	0.175000
Actual	2001	0.796322	0.274126	3.259425	2.676120	0.000000
Actual	2002	0.534446	0.185001	3.356669	2.219447	0.175000
Actual	2003	0.678555	0.231326	3.026507	2.587954	0.000000
Actual	2004	0.564353	0.192393	2.894137	2.354359	0.175000
Actual	2005	0.474561	0.161782	2.790060	2.170694	0.000000
Actual	2006	0.169146	0.058551	2.435169	1.727697	0.175000
Actual	2007	0.436862	0.151222	2.744072	2.088084	0.000000
Actual	2008	0.201722	0.069827	0.000000	0.000000	0.175000
Forecast	2009	0.287300	0.099450	0.000000	0.000000	0.175000
Forecast	2010	0.143520	0.049680	0.000000	0.000000	0.175000
Forecast	2011	0.288080	0.099720	0.000000	0.000000	0.175000

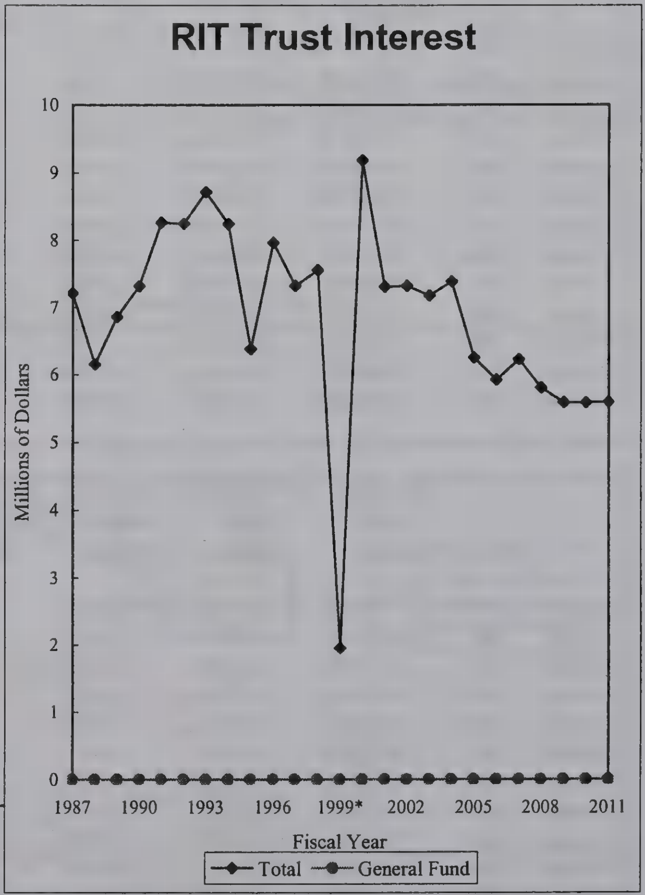
Resource Indemnity Trust Interest

	t Fiscal	Water Storage Millions	Oil & Gas Receipts Millions	FWP Receipts Millions	Groundwater Receipts Millions	NR Operation Receipts Millions	NR Projects Receipts Millions
Actual	2000	0.500000	0.050000	0.000000	0.300000	0.000000	0.000000
Actual	2001	0.000000	0.000000	0.000000	0.300000	0.000000	0.000000
Actual	2002	0.500000	0.050000	0.000000	0.300000	0.000000	0.000000
Actual	2003	0.000000	0.000000	0.350000	0.300000	0.000000	0.000000
Actual	2004	0.500000	0.050000	0.350000	0.300000	0.000000	0.000000
Actual	2005	0.000000	0.000000	0.350000	0.300000	0.000000	0.000000
Actual	2006	0.500000	0.050000	0.500000	0.300000	0.000000	0.000000
Actual	2007	0.000000	0.000000	0.500000	0.300000	0.000000	0.000000
Actual	2008	0.500000	0.050000	0.500000	0.300000	0.504305	3.500000
Forecast	2009	0.000000	0.000000	0.500000	0.300000	0.718250	3.500000
Forecast	2010	0.500000	0.050000	0.500000	0.300000	0.358800	3.500000
Forecast	2011	0.000000	0.000000	0.500000	0.300000	0.720200	3.500000

Total Rev. = Invested Balance * Average Return

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	7.208545	0.000000	Not App.
A	1988	6.149783	0.000000	Not App.
A	1989	6.858164	0.000000	Not App.
A	1990	7.316096	0.000000	Not App.
A	1991	8.260874	0.000000	Not App.
A	1992	8.245914	0.000000	Not App.
A	1993	8.715126	0.000000	Not App.
A	1994	8.239056	0.000000	Not App.
A	1995	6.380294	0.000000	Not App.
A	1996	7.959843	0.000000	Not App.
A	1997	7.318083	0.000000	Not App.
A	1998	7.555620	0.000000	Not App.
A	1999*	1.948278	0.000000	Not App.
A	2000	9.184060	0.000000	Not App.
A	2001	7.305993	0.000000	Not App.
A	2002	7.320563	0.000000	Not App.
A	2003	7.174342	0.000000	Not App.
A	2004	7.380242	0.000000	Not App.
A	2005	6.247097	0.000000	Not App.
A	2006	5.915563	0.000000	Not App.
A	2007	6.220240	0.000000	Not App.
A	2008	5.800854	0.000000	Not App.
F	2009	5.579000	0.000000	Not App.
F	2010	5.576000	0.000000	Not App.
F	2011	5.583000	0.000000	Not App.



* Includes -$5,583,174 in unrealized losses as booked on the state accounting system

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

Revenue Description: Due to passage of Montana Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate not less than 40 percent of tobacco settlement money to a permanent trust fund. Initially, the legislature did not determine the exact percentage to be deposited to the trust fund, the revenue estimate assumes 40 percent. Since the passage of Initiative 146 by the electorate in November 2002, 32 percent of the tobacco settlement money is to fund tobacco prevention and 17 percent is to fund the Children's Health Insurance Program. As amended in SB 485 by the 2003 legislature, money from these allocations can also be used to fund human services programs and to match federal Medicaid funds through fiscal 2005. The remaining 11 percent of the money is deposited to the general fund. Interest earnings from the trust can only be used for tobacco disease prevention programs and programs providing benefits, services, or coverage that are related to the health care needs of Montanans. HB 743 enacted by the 2007 Legislature added chronic disease programs to the definition of tobacco disease prevention programs. The earnings cannot be used to replace state or federal money used to fund tobacco disease prevention programs and state programs that existed on December 31, 1999, providing benefits, services, or coverage of the health care needs of Montanans.

Statutory Reference:

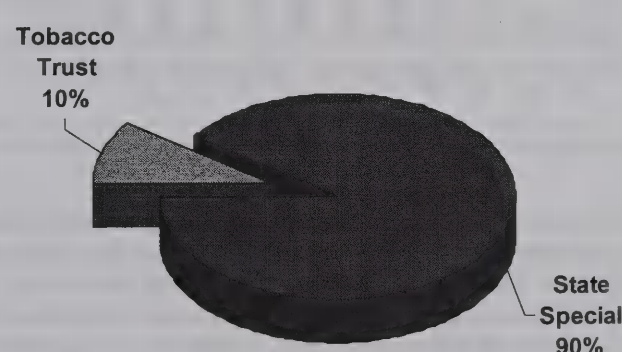
Tax Rate – NA
Distribution (MCA) – Montana Constitution Article XII, Section 4; 17-6-601; 17-6-603
Date Due – Interest deposits are mostly made monthly, but none in July and two in June

Applicable Tax Rate(s): NA

Distribution: Interest earnings from the trust fund are distributed:

1. 90 percent to a state special revenue account for appropriation by the legislature for disease prevention programs (include chronic disease programs) and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana; and
2. 10 percent to the tobacco settlement trust fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the tobacco settlement trust are obtained from the Board of Investments (BOI), Global Insight, and the state accounting system (SABHRS). The BOI provides information on historic interest rates as well as the gains and

losses from the sale of securities. Projections of future interest rates are provided by Global Insight and historic interest collections are obtained from SABHRS.

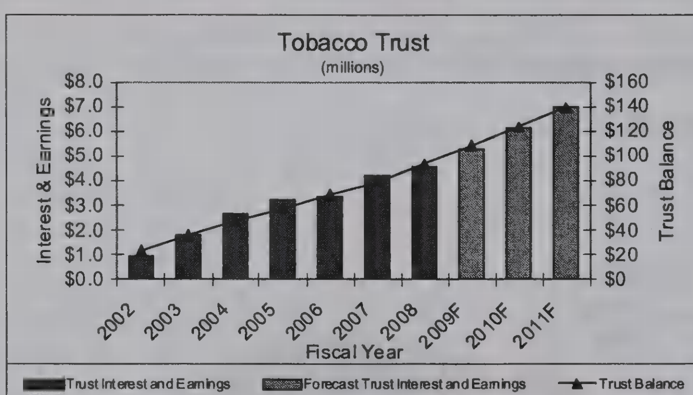
Analysis

The tobacco settlement trust, formed in 2000, was created from distributions of the tobacco settlement funds. In 2000, as required by constitutional amendment, the state began depositing 40 percent of the tobacco settlement funds into a trust. As required in statute, ten percent of the trust earnings must be deposited in the trust. The principal or corpus of the tobacco trust now stands at $93.3 million, as shown by the line in the figure below. New deposits are expected to be $14.9 million in fiscal 2009, $15.1 million in fiscal 2010, and $15.4 million in fiscal 2011.

To forecast the tobacco settlement trust interest earnings, each of three interest/income components are estimated independently and combined. The estimated interest/income components include:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. To estimate TFBP earnings, the base year (fiscal 2008) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable new long-term rate for these securities is based on an average of four long-term rates projected by Global Insight. The fiscal year average long-term interest rate is expected to be 5.1 percent in fiscal year 2009, 4.9 percent in fiscal year 2010, and 5.2 percent in fiscal year 2011.

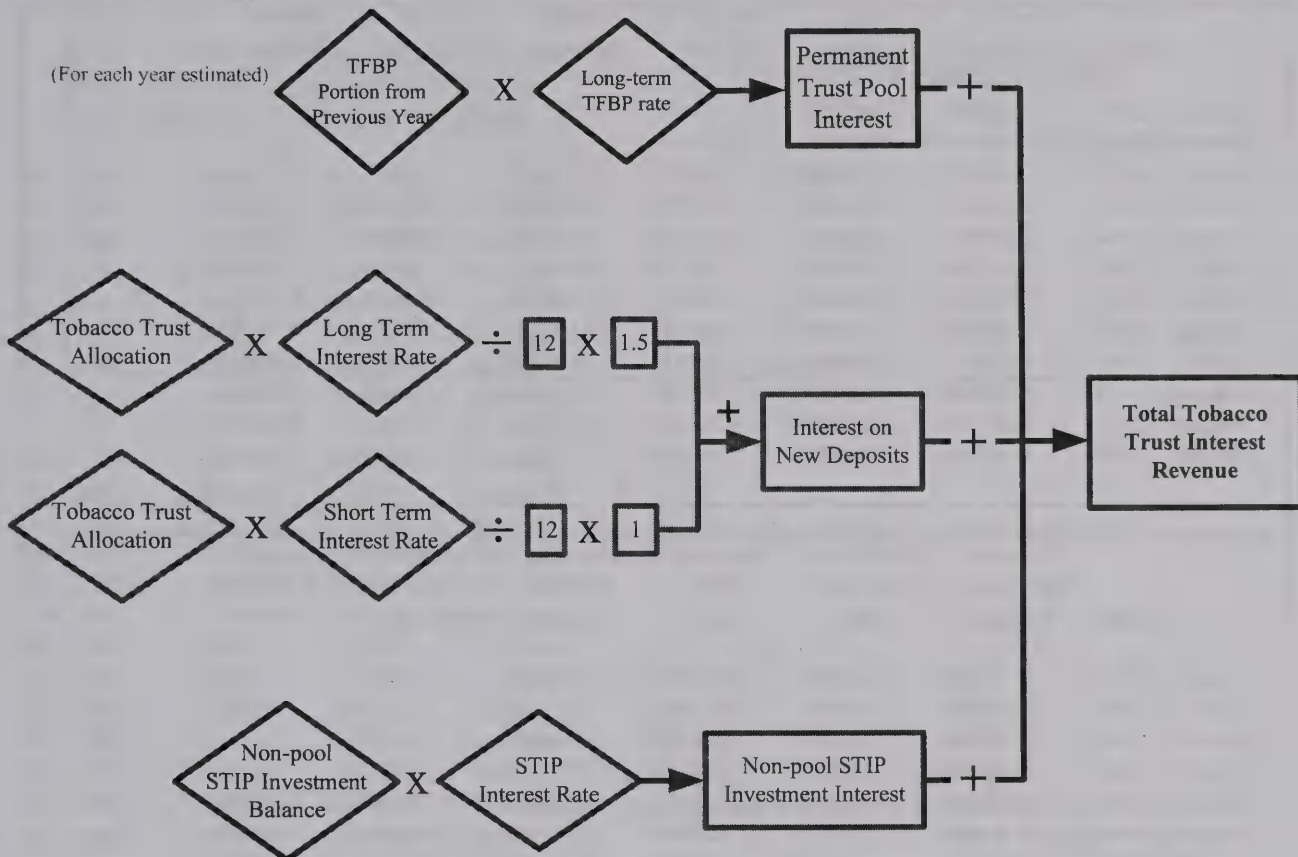


STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed, based on Global Insight projections of three short-term investments. The average of these rates is then converted to a fiscal year basis. The average fiscal year short-term interest rate is expected to be 1.1 percent in fiscal year 2009, 0.6 percent in fiscal year 2010, and 1.6 percent in fiscal year 2011.

The 40 percent distribution of tobacco settlement funds and 10 percent of retained interest earnings are considered new deposits in the tobacco settlement trust. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the tobacco settlement funds, they are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Tobacco Trust Interest

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	90 Percent Interest Millions	10 Percent Interest Millions
Actual	2000	0.000000	0.000000				
Actual	2001	0.239625	0.000000				
Actual	2002	0.967687	0.000000	0.955252	0.012435		
Actual	2003	1.830214	0.000000	1.816256	0.013958	1.647000	0.183000
Actual	2004	2.669829	0.000000	2.661875	0.007953	2.403000	0.267000
Actual	2005	3.202336	0.000000	3.165725	0.036611	2.882000	0.320000
Actual	2006	3.387527	0.000000	3.320678	0.066848	3.049000	0.339000
Actual	2007	4.208268	0.000000	4.156125	0.052144	3.787000	0.421000
Actual	2008	4.545661	0.000000	4.524575	0.021084	4.091000	0.455000
Forecast	2009	5.284000	0.000000	5.263334	0.019570	4.756000	0.528000
Forecast	2010	6.027000	0.000000	6.011448	0.010721	5.424000	0.603000
Forecast	2011	6.804000	0.000000	6.753402	0.030826	6.124000	0.680000

	t Fiscal	Tobacco New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions	Invested Balance Millions	Average Return Rate
Actual	2000	0.000000	6.3380%	5.4290%	0.000000		
Actual	2001	10.650750	6.8850%	4.7390%	0.249457		
Actual	2002	12.432000	6.3380%	2.5650%	0.584877		
Actual	2003	12.563000	5.7290%	1.3600%	0.251155		
Actual	2004	10.852000	5.3650%	1.2650%	0.132682	46.756485	0.057101
Actual	2005	11.095000	5.1940%	2.3870%	2.853978	57.902493	0.055306
Actual	2006	10.261000	5.2340%	4.0770%	0.916926	68.175043	0.049689
Actual	2007	10.663000	5.4050%	4.7290%	0.493197	79.001067	0.053269
Actual	2008	14.267000	5.3180%	3.1650%	0.536632	93.294404	0.048724
Forecast	2009	14.841000	5.0540%	1.0530%	0.536632	122.402404	0.043160
Forecast	2010	15.100000	4.8640%	0.5620%	0.536632	137.502404	0.043797
Forecast	2011	15.407000	5.1560%	1.5650%	0.536632	152.909404	0.044368

Total Rev. = Invested Balance * Average Return

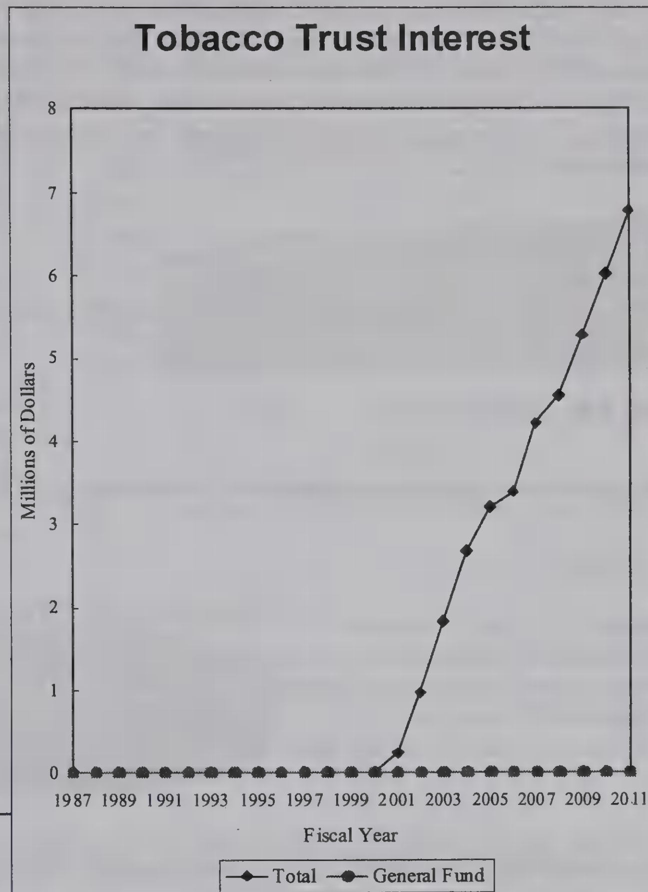
Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	0.000000	0.000000	Not App.
A	2001	0.239625	0.000000	Not App.
A	2002	0.967687	0.000000	Not App.
A	2003	1.830214	0.000000	Not App.
A	2004	2.669829	0.000000	Not App.
A	2005	3.202336	0.000000	Not App.
A	2006	3.387527	0.000000	Not App.
A	2007	4.208268	0.000000	Not App.
A	2008	4.545661	0.000000	Not App.
F	2009	5.283000	0.000000	Not App.
F	2010	6.022000	0.000000	Not App.
F	2011	6.784000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Treasure State Endowment Trust Interest

Revenue Description: In the June 1992 election, voters approved a referendum to create the Treasure State Endowment Fund (TSEF) within the permanent coal tax trust fund. The TSEF received a $10.0 million grant from the permanent trust principal in fiscal 1994 and received 37.5 percent of total coal severance tax collections from July 1999 through June 2003. Beginning fiscal 2004, the trust receives 25 percent of total collections. Interest earned on the TSEF is used to finance local infrastructure projects, as prioritized by the departments of Commerce and Natural Resources and Conservation and authorized by the legislature via the Treasure State Endowment Program (TSEP).

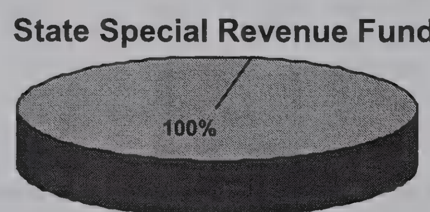
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 17-5-703 (4c); use of earnings (90-6-701(2))
Date Due (MCA) – Monthly (17-5-703 (4c))

Applicable Tax Rate(s): N/A

Distribution: Interest earnings are allocated to the Department of Commerce to fund TSEP.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this revenue source.

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the treasure state endowment (TSE) trust is obtained from the Board of Investments (BOI), Global Insight, and the state accounting system (SABHRS). The BOI provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by Global Insight and historic interest collections are obtained from SABHRS.

Analysis

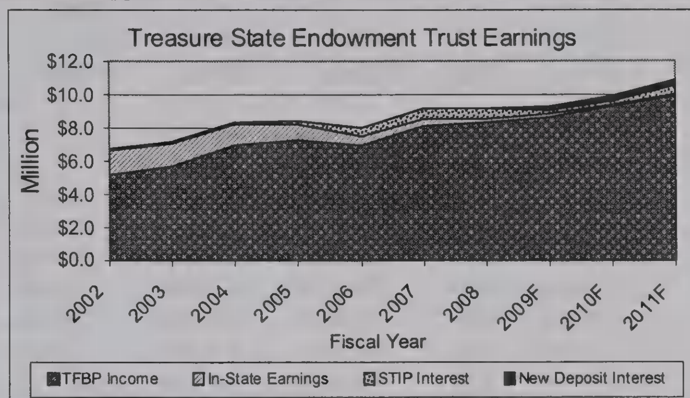
The TSE trust was created from distributions of the coal severance tax. The TSE trust was formed early in the 1990's as a sub-trust to the permanent coal trust. The Constitution requires that 50 percent of the coal severance tax collections be distributed to the coal trust, and 50 percent of that distribution (after the water bond debt service obligation is met) or 25 percent of total coal severance tax revenues is distributed to the TSE trust. The principal or corpus of the TSE trust now stands at $173.2 million. The estimates of future deposits to the TSE trust are developed in the coal severance tax projection and are expected to be $10.7 million in fiscal 2009, $11.5 million in fiscal 2010, and $11.9 million in fiscal 2011.

To forecast the TSE trust interest earnings, each of four interest/income components are estimated independently and combined. The estimated interest/income components include:

- Trust funds bond pool (TFBP)
- In-state investments
- Short-term investment pool (STIP)

- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. To estimate TFBP earnings, the base year (fiscal 2008) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable new long-term rate for these securities is based on an average of four long-term rates projected by Global Insight. The fiscal year average long-term interest rate is expected to be 5.1 percent in fiscal year 2009, 4.9 percent in fiscal year 2010, and 5.2 percent in fiscal year 2011.

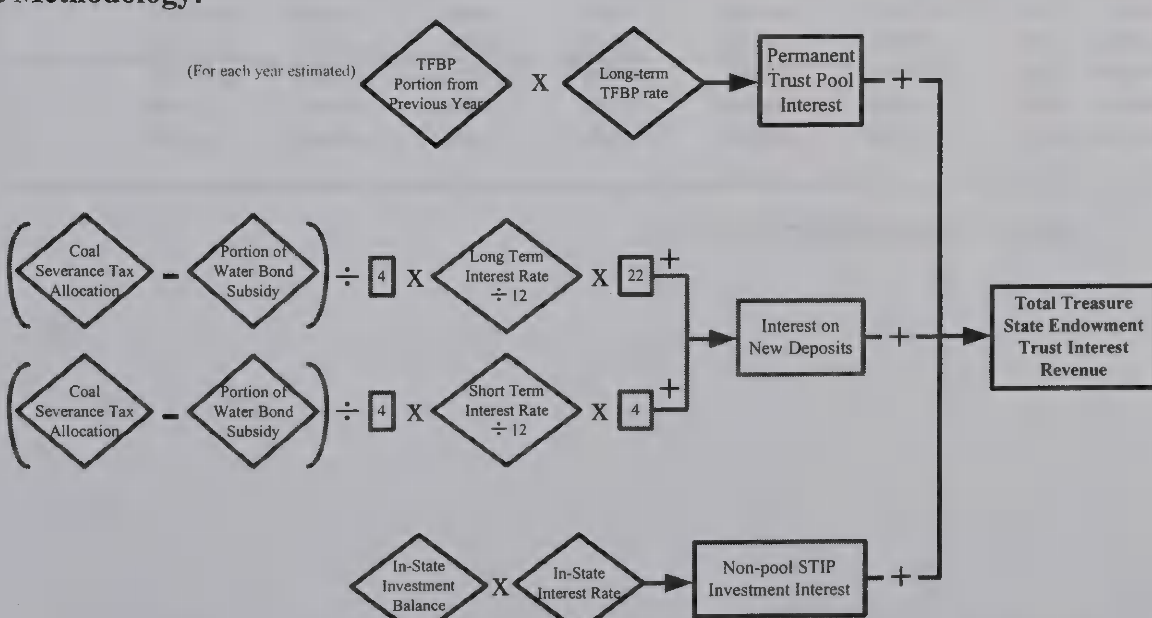


As seen in the figure above, earnings from in-state investments have historically been the second largest source of income to the TSE trust. The BOI is required by statute to invest twenty-five percent of coal tax trust in the Montana economy. Investments must be made to maximize the long-term benefit to the Montana economy. In-state investments primarily consist of loans to Montana business entities and earnings are equal to the interest charged on the loans. In the 2011 biennium, the loan rate is substantially lower than past years, 4.9 percent.

STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed, based on Global Insight projections of three short-term investments. The average of these rates is then converted to a fiscal year basis. The average fiscal year short-term interest rate is expected to be 1.1 percent in fiscal year 2009, 0.6 percent in fiscal year 2010, and 1.6 percent in fiscal year 2011.

Coal severance tax distributions to the TSE trust are considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Forecast Methodology:



Treasure State Endowment Trust Interest

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Loan Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2000	5.123374	0.000000					
Actual	2001	5.801525	0.000000					
Actual	2002	6.804839	0.000000	5.139577	0.134725	1.530537		
Actual	2003	7.175069	0.000000	5.718544	0.091977	1.364547		
Actual	2004	8.349481	0.000000	6.929583	0.085931	1.333115	127.175885	0.065653
Actual	2005	8.481564	0.000000	7.272317	0.236790	0.970369	137.335617	0.061758
Actual	2006	8.038515	0.000000	7.001103	0.514071	0.523204	147.150621	0.054628
Actual	2007	9.224883	0.000000	8.101840	0.719283	0.403746	161.366192	0.057167
Actual	2008	9.194019	0.000000	8.296236	0.638806	0.258977	172.310051	0.053357
Forecast	2009	9.251000	0.000000	8.702680	0.427721	0.113171	194.308019	0.047572
Forecast	2010	9.718000	0.000000	9.241689	0.356837	0.113171	205.790019	0.047192
Forecast	2011	10.511000	0.000000	9.800173	0.578307	0.113171	217.719019	0.048189

	t Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool Loan Rate	Non Pool STIP Bal Millions	Non Pool Loan Bal Millions
Actual	2000	13.301172	7.0160%	5.4290%	0.0000%	12.385400	0.000000
Actual	2001	12.126440	6.8850%	4.7390%	0.0000%	4.384216	19.223452
Actual	2002	11.855268	6.3380%	2.5650%	8.2549%	7.426826	17.858672
Actual	2003	11.033830	5.7290%	1.3600%	7.4418%	11.674509	18.813738
Actual	2004	7.886171	5.3650%	1.2650%	8.2678%	10.526991	13.434570
Actual	2005	9.408628	5.1940%	2.3870%	8.7756%	12.141430	8.680571
Actual	2006	8.955381	5.2340%	4.0770%	7.1089%	11.708362	6.039199
Actual	2007	10.189685	5.4050%	4.7290%	7.4842%	14.763620	4.750104
Actual	2008	11.332968	5.3180%	3.1650%	7.5444%	14.042401	2.115350
Forecast	2009	10.665000	5.0540%	1.0530%	5.3500%	14.042401	2.115350
Forecast	2010	11.482000	4.8640%	0.5620%	5.3500%	14.042401	2.115350
Forecast	2011	11.929000	5.1560%	1.5650%	5.3500%	14.042401	2.115350

Total Rev. = Invested Balance * Average Return

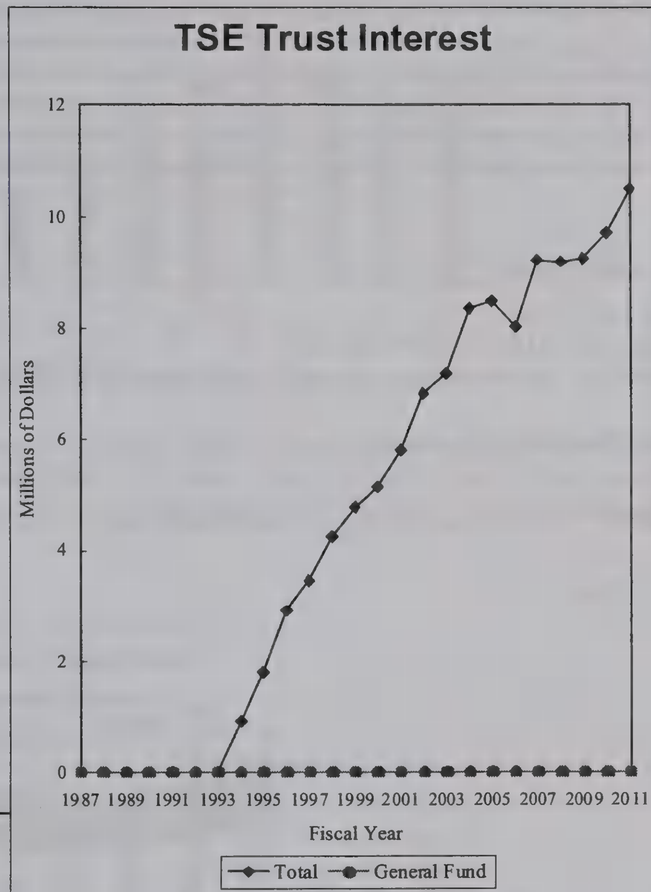
Legislative Fiscal Division

Revenue Estimate Profile

Treasure State Endowment Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.928696	0.000000	Not App.
A	1995	1.810151	0.000000	Not App.
A	1996	2.916499	0.000000	Not App.
A	1997	3.453907	0.000000	Not App.
A	1998	4.250378	0.000000	Not App.
A	1999	4.772585	0.000000	Not App.
A	2000	5.123374	0.000000	Not App.
A	2001	5.801525	0.000000	Not App.
A	2002	6.804839	0.000000	Not App.
A	2003	7.175069	0.000000	Not App.
A	2004	8.349481	0.000000	Not App.
A	2005	8.481564	0.000000	Not App.
A	2006	8.038515	0.000000	Not App.
A	2007	9.224883	0.000000	Not App.
A	2008	9.194019	0.000000	Not App.
F	2009	9.244000	0.000000	Not App.
F	2010	9.712000	0.000000	Not App.
F	2011	10.492000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Treasury Cash Account Interest

Revenue Description: The Department of Commerce, Board of Investments is responsible for investing all state funds. Title 17, Chapter 6, MCA, provides guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund. Treasury cash is invested in a mixture of short and medium-term investments. Consequently, the interest assumptions adopted by the legislature incorporate a blend of short and intermediate-term rates. When needed to address cash flow problems, the state typically issues tax and revenue anticipation notes (TRANS). The legislature would then adopt TRANS issuance assumptions, since this affects the average invested balance. No TRANS issues are anticipated in the 2009 or 2011 biennia.

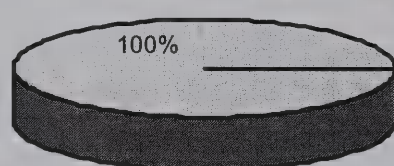
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 17-6-202(2)
Date Due – interest deposits are mostly made monthly, with two in June and none in July

Applicable Tax Rate(s): N/A

Distribution: All investment earnings on the treasury cash account (TCA) are deposited into the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.46%	FY 2007 – 1.85%
FY 2005 – 0.66%	FY 2008 – 1.57%
FY 2006 – 1.09%	

Revenue Estimate Methodology:

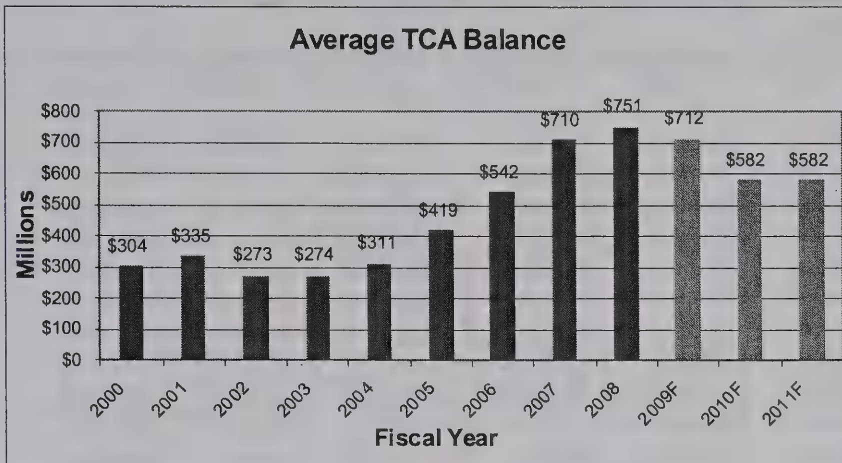
Excess cash in the state treasury is deposited to the treasury cash account (TCA) and invested in short and medium-term investments. Earnings are dependent on the investable cash balance and interest rates. Investment earnings are deposited to the general fund.

Data

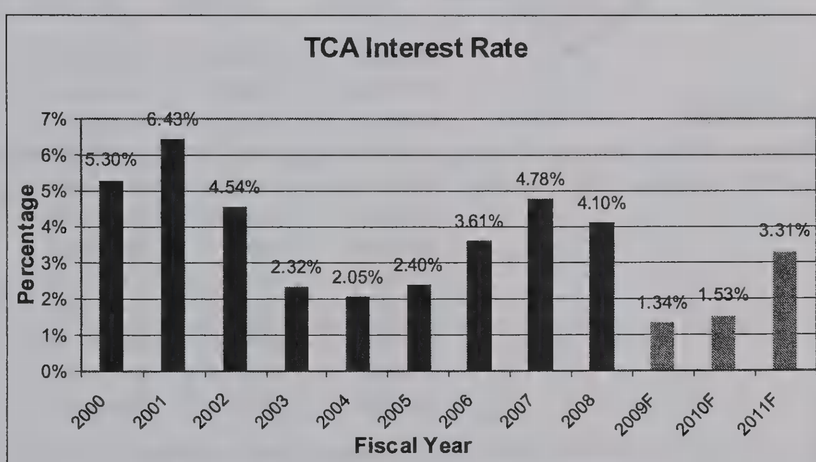
The Board of Investments provides monthly reports on the treasury cash account balance. The state accounting system (SABHRS) provides information on monthly investment earnings.

Analysis

- The average balance of the TCA is estimated by increasing the previous year's balance by half the difference between the anticipate general fund balances for the past and current years. When cash flow is insufficient, tax revenue anticipation notes (TRANS) are issued to meet short-term cash flow needs. The term of the loan and amount borrowed are used to determine the amount to be added to the average balance calculations. No TRANS are anticipated for FY 2009 -2011.

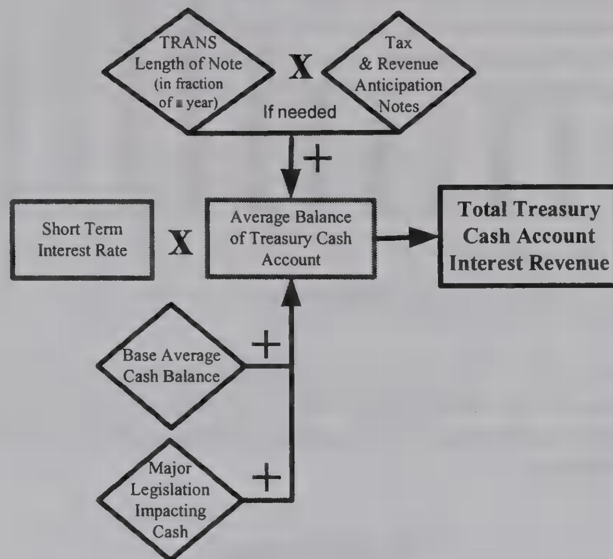


- Short-term interest rates are estimated by first deriving a composite rate of Global Insight forecasts for the 3-month commercial paper, 3-month treasury bill, and 6-month treasury bill rates. A ratio is then developed of the sum of average TCA rate for FY 2006-FY 2008 to sum of the composite rate for the same years. The ratio is then multiplied by the composite rate for the applicable year.



Adjustments and Distribution
Once total revenue for each fiscal year is determined, the applicable distribution percentage, 100 percent to the general fund, is applied.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Treasury Cash Account Interest

	t Fiscal	Total Rev. Millions	GF Rev. Millions	Avg. Bal. Millions	Interest Rate	Issue Rate	TRANS Cost
Actual	2000	16.088271	16.088271	303.627590	0.052987	0.000000	0.000000
Actual	2001	21.531903	21.531903	334.705188	0.064331	0.000000	0.000000
Actual	2002	12.414382	12.414382	273.343304	0.045417	0.000000	0.000000
Actual	2003	6.366439	6.366439	273.928913	0.023241	0.026498	1.639327
Actual	2004	6.392992	6.392992	311.477974	0.020525	0.002027	0.099188
Actual	2005	10.046531	10.046531	419.348957	0.023957	0.000000	0.000000
Actual	2006	18.631288	18.631288	542.420040	0.036108	0.000000	0.000000
Actual	2007	33.951447	33.951447	710.102066	0.047812	0.000000	0.000000
Actual	2008	30.782748	30.782748	750.830709	0.040998	0.000000	0.000000
Forecast	2009	16.673000	16.673000	829.491709	0.019900	0.012848	0.000000
Forecast	2010	7.899000	7.899000	750.175516	0.010620	0.006857	0.000000
Forecast	2011	15.596000	15.596000	770.182537	0.020650	0.013333	0.000000

	t Fiscal	Base Bal. Millions	TRANS Millions	TRANS Length
Actual	2000	303.628000	0.000000	0.000000
Actual	2001	334.705000	0.000000	0.000000
Actual	2002	273.343000	0.000000	0.000000
Actual	2003	212.062000	92.800000	0.666667
Actual	2004	262.545000	73.400000	0.666667
Actual	2005	419.349000	0.000000	0.000000
Actual	2006	542.420000	0.000000	0.000000
Actual	2007	710.102000	0.000000	0.000000
Actual	2008	750.831000	0.000000	0.000000
Forecast	2009	829.492000	0.000000	0.000000
Forecast	2010	750.176000	0.000000	0.000000
Forecast	2011	770.183000	0.000000	0.000000

Total Rev. = Average Balance * Interest Rate
GF Rev = Total Rev.

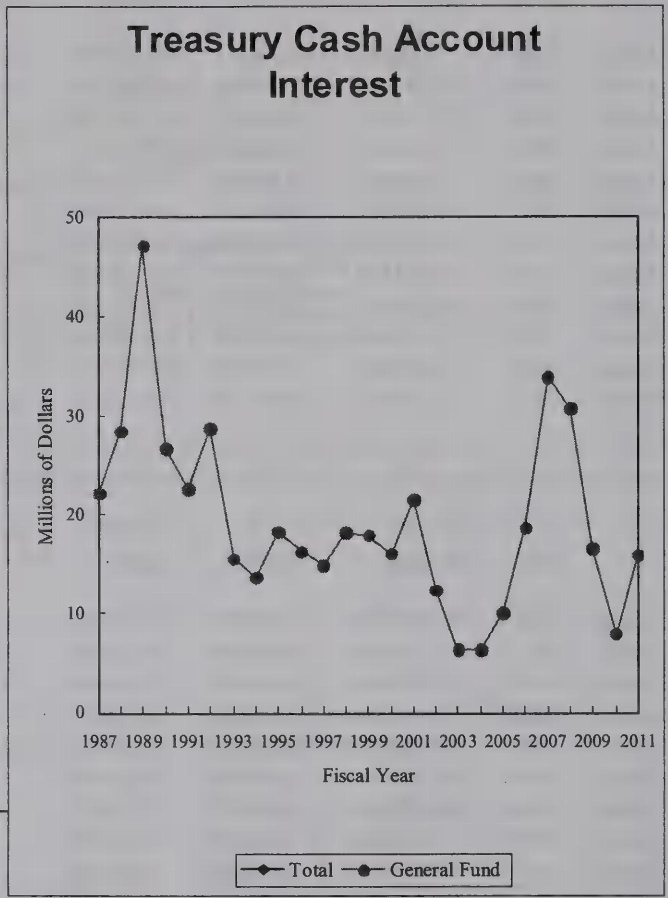
Legislative Fiscal Division

Revenue Estimate Profile

Treasury Cash Account Interest

Revenue Projection:

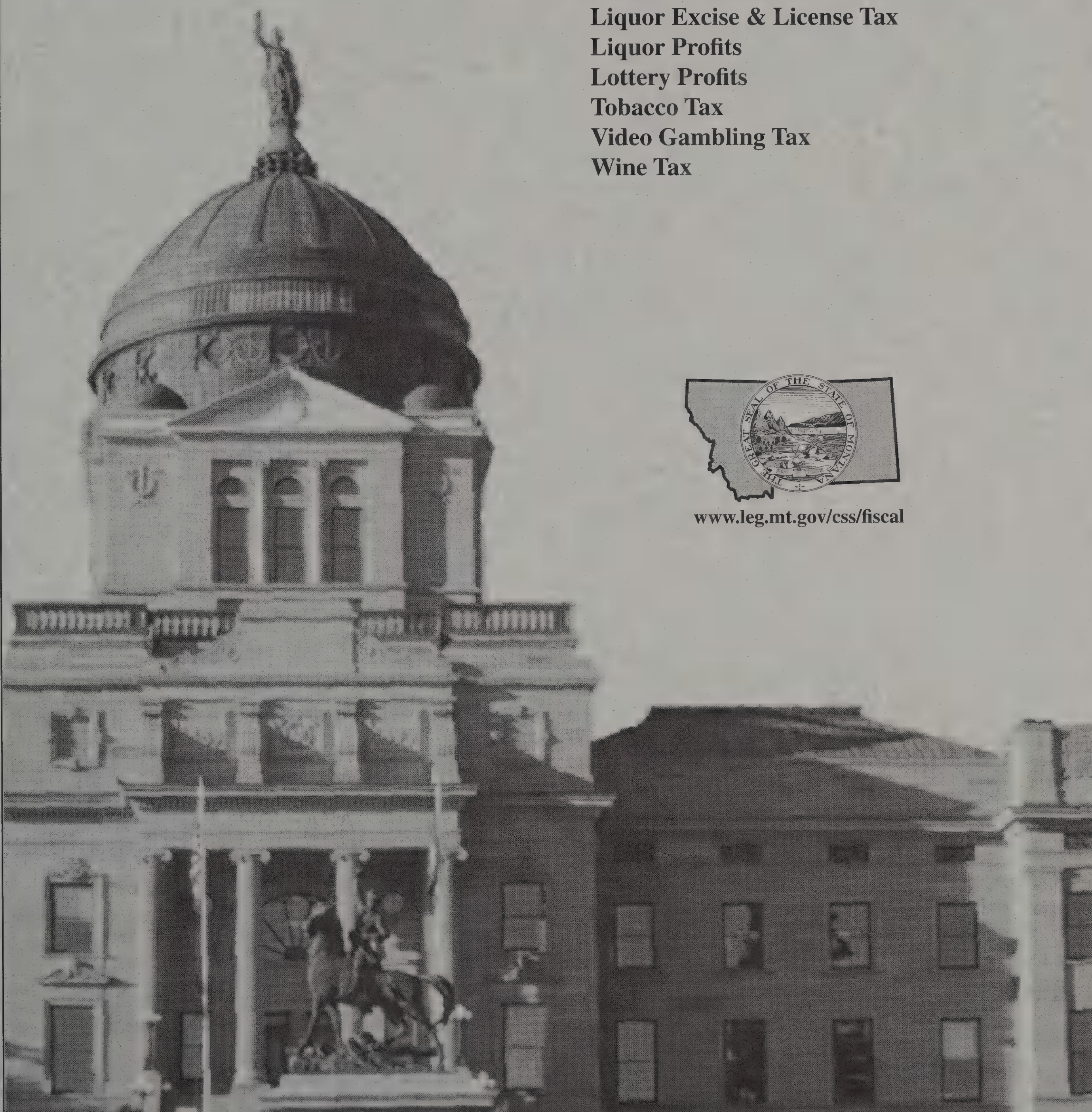
	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	22.228606	22.228606	Not App.
A	1988	28.512114	28.512114	28.27%
A	1989	47.124294	47.124294	65.28%
A	1990	26.725363	26.725363	-43.29%
A	1991	22.624293	22.624293	-15.35%
A	1992	28.702764	28.702764	26.87%
A	1993	15.534745	15.534745	-45.88%
A	1994	13.641728	13.641728	-12.19%
A	1995	18.270206	18.270206	33.93%
A	1996	16.294496	16.294496	-10.81%
A	1997	14.924918	14.924918	-8.41%
A	1998	18.246918	18.246918	22.26%
A	1999	17.919956	17.919956	-1.79%
A	2000	16.088271	16.088271	-10.22%
A	2001	21.531903	21.531903	33.84%
A	2002	12.414382	12.414382	-42.34%
A	2003	6.366439	6.366439	-48.72%
A	2004	6.392992	6.392992	0.42%
A	2005	10.046531	10.046531	57.15%
A	2006	18.631288	18.631288	85.45%
A	2007	33.951447	33.951447	82.23%
A	2008	30.782748	30.782748	-9.33%
F	2009	16.507000	16.507000	-46.38%
F	2010	7.967000	7.967000	-51.74%
F	2011	15.905000	15.905000	99.64%



Consumption Taxes

Beer Tax
Cigarette Tax
Diesel Tax
Gasoline Tax
GVW & Other Fees
Liquor Excise & License Tax
Liquor Profits
Lottery Profits
Tobacco Tax
Video Gambling Tax
Wine Tax

www.leg.mt.gov/css/fiscal



Legislative Fiscal Division
Revenue Estimate Profile
Beer Tax

Revenue Description: A tax is levied on each barrel of beer (31 gallons) produced in or imported into Montana based on the amount produced. A portion of the revenue from the beer tax is returned to Indian tribes per an agreement between the Department of Revenue and the tribes.

Statutory Reference:

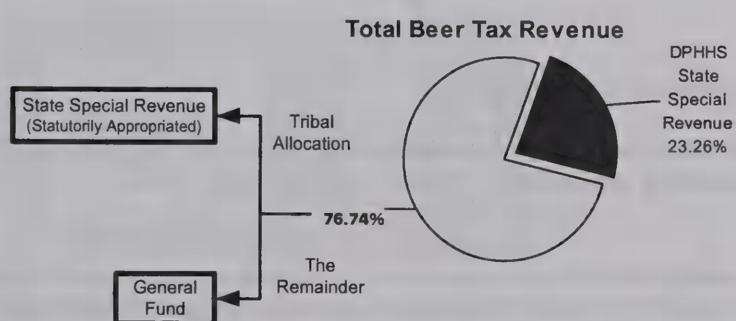
Tax Rate (MCA) – 16-1-406
Distribution (MCA) – 16-1-406
Date Due – end of the month and collected in the next month (16-1-406(2))

Applicable Tax Rate(s): The per barrel tax varies based on barrels of production:

up to 5,000 barrels - $1.30
5,001 to 10,000 barrels - $2.30
10,001 to 20,000 barrels - $3.30
over 20,000 barrels - $4.30

Distribution: Beer tax revenue is distributed 76.74 percent to the general fund and 23.26 percent to the DPHHS state special revenue alcohol account. The general fund portion is reduced by the amount of the tribal distribution.

Distribution Chart:



Summary of Legislative Action:

Senate Bill 438 – In addition reducing beer tax revenue, the legislation also increases liquor excise and license tax revenue and liquor profits revenue. The revenue effects and details of these latter changes are shown in the "Liquor Excise and License Tax" and "Liquor Profits" revenue source sections. This legislation reclassifies malt beverages with caffeine or other stimulants as liquor and taxes the beverages at the same rate as liquor, based on the wholesale price. Under previous law, malt beverages were taxed as beer and were estimated to account for about 1/8 of 1 percent of beer tax revenue. General fund revenue declines $3,150 in FY 2010 and $4,280 in FY 2011 and state special revenue declines $955 in FY 2010 and $1,297 in FY 2011. Since the legislation does not include an effective date, it becomes effective October 1, 2009.

Beer Tax -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
SB0438 Regulate sale of alcoholic energy drinks		(3,150)	(4,280)
Total Estimated General Fund Impact	$0	($3,150)	($4,280)

Legislative Fiscal Division

Revenue Estimate Profile

Beer Tax

% of Total General Fund Revenue:

FY 2004 – 0.21%
FY 2005 – 0.19%
FY 2006 – 0.17%
FY 2007 – 0.17%
FY 2008 – 0.16%

Revenue Estimate Methodology:

Data

To create the beer estimate, data are obtained from the Department of Revenue (DOR) and the state accounting system (SABHRS). The DOR provides the details of taxes paid at each of the four incremental tax rates and information on tribal distributions. SABHRS shows total fiscal year tax collections.

DOR provides data detailing the tax paid at each of the four tax rates. A more accurate calculation of the number of barrels of beer taxed in each fiscal year can be produced using the detailed data. Because the beer tax rate is applied incrementally based on the number of barrels each brewer produces in a year, the number of barrels taxed each year cannot be accurately determined without this information.

The DOR data are used to determine a "proxy" for barrels of beer consumed in Montana. Besides providing the means to measure the taxable barrels of beer sold by wholesalers and producers in Montana, DOR data are used to develop an effective tax rate. The effective rate is created with a weighted average of beer sales by tax rate. The calculation for the weighted average effective rate is as follows:

$$\mathbf{ETR = (Rate_{\$4.30} * \%Taxed_{\$4.30}) + (Rate_{\$3.30} * \%Taxed_{\$3.30}) + (Rate_{\$2.30} * \%Taxed_{\$2.30}) + (Rate_{\$1.30} * \%Taxed_{\$1.30})}$$

Where:
ETR is the effective tax rate.

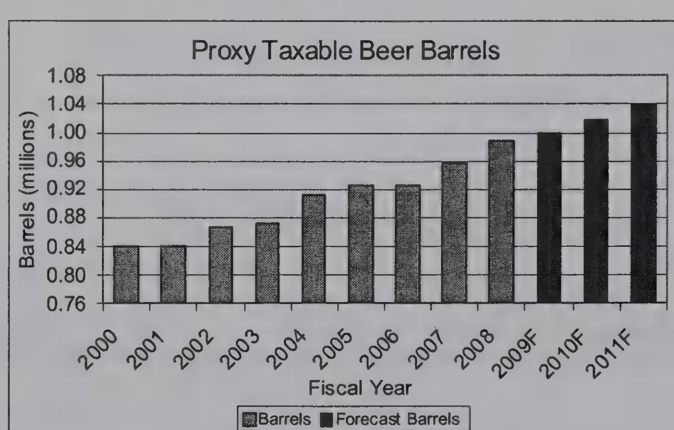
In the estimated period, the effective tax rate is $4.20 per barrel.

SABHRS data are used in conjunction with the DOR data to derive the number of taxable barrels sold in the state. To calculate taxable barrels, the total tax collected in each fiscal year is divided by the effective tax rate.

Analysis

Analysis of the beer data shows a constant trend for taxable barrels sold in Montana, as demonstrated in the figure below. Consequently, the proxy of taxable barrels sold is regressed in a linear trend model to determine the future taxable barrels of beer that will be sold in Montana. The trend is based on the series of proxy barrels beginning in fiscal 1997.

The statistics of fit show that a linear trend accurately measures the rate of growth in the number of taxable barrels of beer sold in Montana. The model provides an R^2 rating of 0.976. This means that the linear trend explains 97.6 percent of the variability of the number of barrels sold in Montana, when all other impacts are held constant.* The model provides a rate of growth of 19,418 barrels per fiscal year.



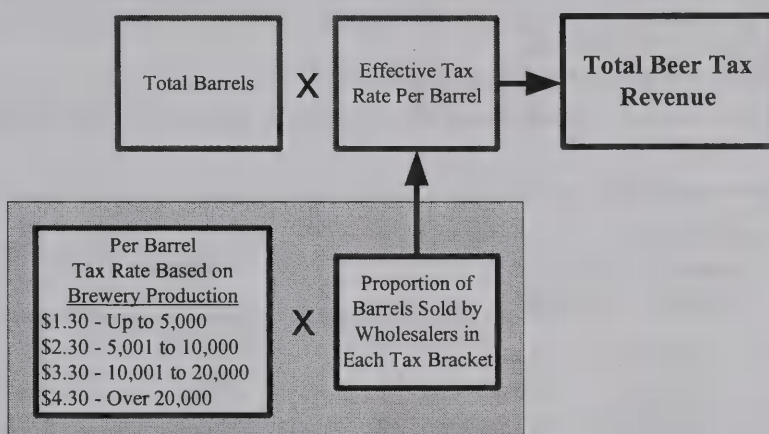
The rate of growth developed in the trend model is 5.48 percent annually. The rate of growth is applied to the most recent actual fiscal year data available, or base year fiscal 2006. As seen in the figure above, the projection for beer consumed in Montana is 998,720 barrels, 1,018,138 barrels, and 1,037,556 barrels for fiscal years 2009 through 2011, respectively. Finally, the effective tax rate is applied to the proxy of barrels developed above. This step produces total tax estimates of $4.2 million in fiscal 2009, $4.3 million in fiscal 2010, and $4.4 million in fiscal 2011.

Adjustment and Distribution

The last step in producing the estimate for beer tax collections is to calculate the tax distributions. Beer taxes are distributed between two funds, the general fund, 76.74 percent, and the Department of Health and Human Services alcohol state special revenue account, 23.26 percent. Finally, the general fund distribution is reduced by tribal reimbursements. At this time, three of the seven tribal governments receive beer tax dollars, Blackfeet, Fort Belknap, and Fort Peck. These tribal governments adhere to the Montana beer tax laws. The state of Montana collects the tribes' portion of the beer tax and quarterly distributes those collections based on a formula (per capita beer consumption times tribal membership times the Montana tax rate).

*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

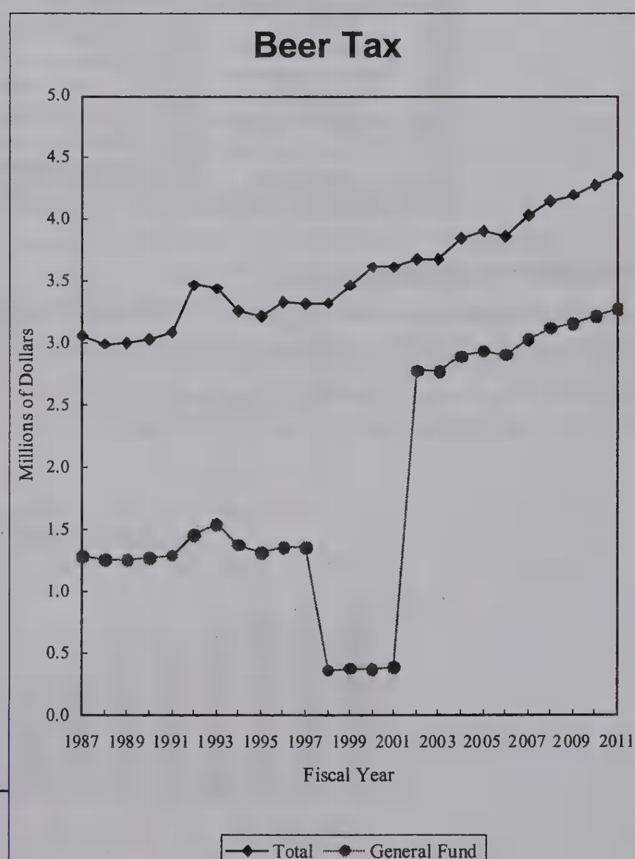
Beer Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Barrels Millions	Tax Rate $ Per Barrel	Effective Tax Rate $ Per Barrel	GF Allocation Percent	Tribal Millions
Actual	2000	3.613076	0.370418	0.840250	4.300000		0.116283	0.049723
Actual	2001	3.614271	0.384630	0.840528	4.300000		0.116300	0.035710
Actual	2002	3.673818	2.783903	0.867120	4.300000	4.236803	0.767400	0.035385
Actual	2003	3.680560	2.771455	0.870776	4.300000	4.226759	0.767400	0.053007
Actual	2004	3.852303	2.896797	0.912591	4.300000	4.221281	0.767400	0.059460
Actual	2005	3.903377	2.936880	0.924338	4.300000	4.222887	0.767402	0.058580
Actual	2006	3.866023	2.907718	0.924681	4.300000	4.180928	0.767400	0.059068
Actual	2007	4.030525	3.034266	0.956529	4.300000	4.213697	0.767400	0.058759
Actual	2008	4.150714	3.124238	0.987403	4.300000	4.203668	0.767397	0.061007
Forecast	2009	4.198000	3.160000	0.998720	4.300000	4.203668	0.767400	0.062000
Forecast	2010	4.280000	3.221000	1.018138	4.300000	4.203668	0.767400	0.063000
Forecast	2011	4.362000	3.282000	1.037556	4.300000	4.203668	0.767400	0.065000

Total Tax = Barrels * Effective Tax Rate
GF Tax = Barrels * Effective Tax Rate * GF Allocation - Tribal

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	3.060956	1.281316	Not App.
A	1988	2.997014	1.254564	-2.09%
A	1989	3.000273	1.255928	0.11%
A	1990	3.028992	1.267950	0.96%
A	1991	3.089077	1.293102	1.98%
A	1992	3.470874	1.452896	12.36%
A	1993	3.441481	1.545395	6.37%
A	1994	3.263345	1.375734	-10.98%
A	1995	3.215598	1.316559	-4.30%
A	1996	3.329868	1.356496	3.03%
A	1997	3.318449	1.356720	0.02%
A	1998	3.324479	0.358284	-73.59%
A	1999	3.469910	0.373965	4.38%
A	2000	3.613076	0.370418	-0.95%
A	2001	3.614271	0.384630	3.84%
A	2002	3.673818	2.783903	623.79%
A	2003	3.680560	2.771455	-0.45%
A	2004	3.852303	2.896797	4.52%
A	2005	3.903377	2.936880	1.38%
A	2006	3.866023	2.907718	-0.99%
A	2007	4.030525	3.034266	4.35%
A	2008	4.150714	3.124238	2.97%
F	2009	4.198000	3.160000	1.14%
F	2010	4.276000	3.218000	1.84%
F	2011	4.356000	3.278000	1.86%



Cigarette Tax

Revenue Description: The cigarette tax is an excise tax imposed on all cigarettes sold or possessed in Montana. The tax is imposed on the retail consumer, but is collected by wholesalers or retailers through the use of tax insignia. The insignias are purchased from the state and affixed to each package of cigarettes. The tax does not apply to quota cigarettes sold on an Indian reservation. In practice, the tax is levied on all cigarettes and the wholesaler receives a refund for the amount within the quota that has been sold within the boundaries of an Indian reservation. Each tribe's quota is equal to 150.0 percent of Montana's per capita general fund cigarette tax revenue multiplied by the enrolled tribal member population, or any other amount agreed to in a state-tribal agreement. The state has agreements with five tribes in Montana.

Beginning May 1, 2003, the Fifty-eighth Legislature passed SB 407 increasing the tax on cigarettes to $0.70 per 20-cigarette package, a 289 percent increase from the previous $0.18 tax. Shortly thereafter, the electorate approved I-149 that raised the tax on packs of 20 cigarettes by $1.00 to $1.70, beginning January 1, 2005, an increase of 143 percent. Both SB 407 and I-149 changed the distributor percentage discounts, but the amounts that distributors are allowed to retain for administration of the tax stayed relatively constant. SB 407 changed the distribution of the tax revenues to increase the amount deposited into the state general fund. I-149 increased tax revenues for veterans' nursing home operation and maintenance and provided revenue to a new state special revenue fund for health and Medicaid initiatives. The 2009 Legislature enacted HB 213 and temporarily established a new 1.2 percent distribution only for the 2011 biennium to fund a state veterans' home in southwestern Montana. The distribution to the general fund is reduced by 1.2 percent.

Note: If the money in the veteran's cigarette account at the end of a fiscal year exceeds $2.0 million, after reductions for budgeted present law amounts for each fiscal year, the excess is transferred to the general fund as a revenue transfer to the "All Other Revenues" source.

Statutory Reference:

Tax Rate (MCA) – 16-11-111
Tax Distribution (MCA) – 16-11-119
Date Due – within 30 days after purchase of the insignia (16-11-117)

Applicable Tax Rate(s):

- Beginning January 2005, the excise tax on cigarettes is $1.70 per package of 20 cigarettes, prorated for packages that differ from 20 cigarettes.
- Wholesalers pay a license fee of $50.00 and each retailer pays a license fee of $5.00. License fees are renewable each year and are non-transferable. Revenue from these fees is shown in "All Other General Fund Revenue".

Distribution: All wholesaler and retailer license fees are deposited in the general fund. After deductions for tribal refunds, the cigarette tax revenue is distributed:

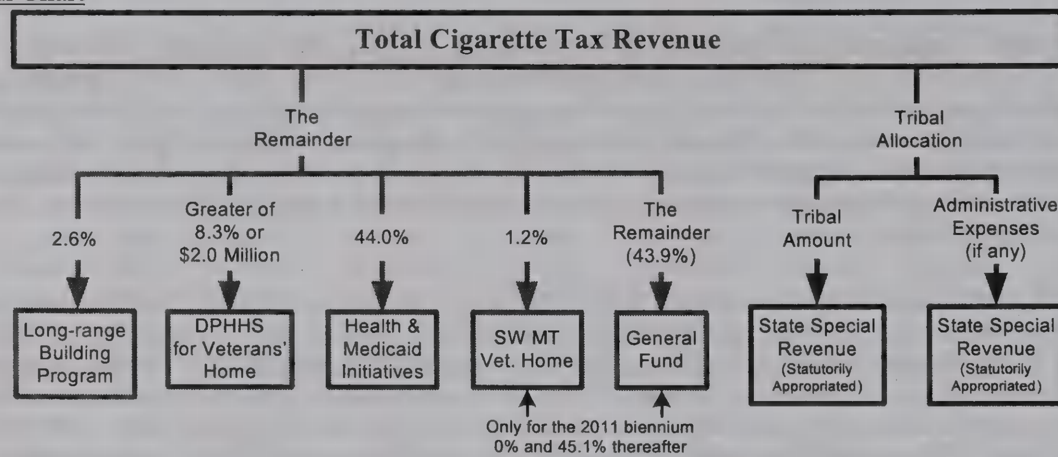
- The greater of 8.3% or $2.0 million to DPHHS for veterans' nursing home operation and maintenance
- 2.6% to the long-range building program
- 44.0% for health and Medicaid initiatives and children health insurance
- 1.2% for a veterans' home in southwestern Montana (only for the 2011 biennium, 0% thereafter)
- The remainder (43.9%) to the general fund (only for the 2011 biennium, 45.1% thereafter)

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

Distribution Chart



Summary of Legislative Action:

House Bill 213 – This legislation diverts 1.2 percent of the cigarette tax revenue only in FY 2010 and FY 2011 to a new state special revenue account to fund the future construction of a new veteran's home, located in southwestern Montana. Under the previous law, this revenue was deposited to the general fund. Reductions to the general fund are $977,029 in FY 2010 and $986,661 in FY 2011. State special revenue increases by the same amounts. The bill generally is effective on passage and approval, but the change in the distribution takes effect July 1, 2009.

Cigarette Tax -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0213 Establish SW Montana veteran's home		(977,029)	(986,661)
Total Estimated General Fund Impact	$0	($977,029)	($986,661)

% of Total General Fund Revenue:

FY 2004 – 2.61%
FY 2005 – 2.29%
FY 2006 – 2.02%
FY 2007 – 1.95%
FY 2008 – 1.83%

Revenue Estimate Methodology:

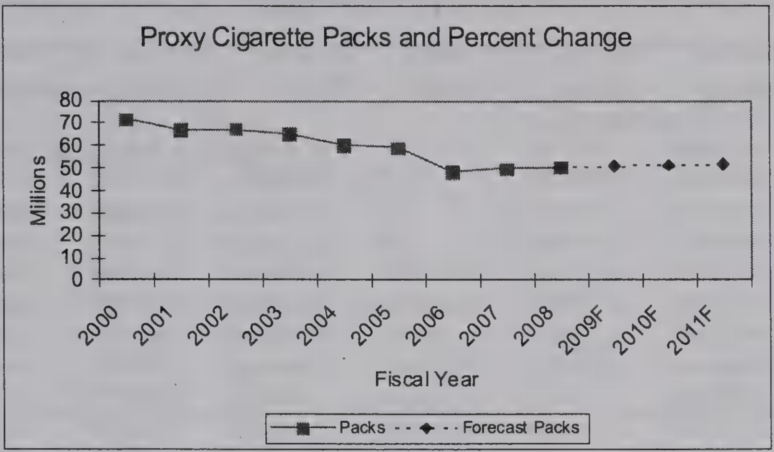
Data

Data from the state accounting system (SABHRS) and the Department of Revenue (DOR) are used to forecast cigarette tax revenues. The DOR provides information on the number of cigarette insignias (stamps) sold in each month and the amount of discounts given to cigarette distributors. Historic observations of tax collections are available through SABHRS.

DOR provides detailed information on the sales of tax insignias by pack size, company, Tribal, and month. To prepare the raw data for analysis, the total number of insignia sales is reduced by discounts and refunds given to the distributor. The resulting amount serves as a proxy for the number of taxable cigarette packs consumed in Montana in a year. The actual SABHRS data serves as a check against the number of proxy packs of cigarettes calculated by this method.

Analysis

In 1982, the consumption of cigarettes began to decrease as a result of an increased awareness of the health risks associated with smoking. Between 1982 and 2002, cigarette consumption decreased at a rate of almost 2 percent annually. Each of the two recent tax increases caused consumption to decrease at a greater rate for two years. These decreases forced downward shifts in Montana's consumption curve. The shifts are evident in the figure below between fiscal years 2003 and 2004, -7.7 percent, and between fiscal years 2005 and 2006, -21.7 percent.



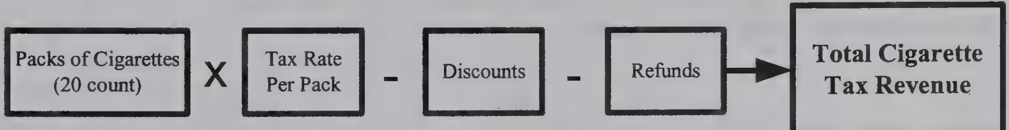
Experts in the field of cigarette consumption find that following the initial consumption response to the price adjustment of a tax increase, the consumption decline should return to the normal pattern. However, cigarette consumption in Montana has rebounded following the initial price related decline. As shown in the figure above, the number of packs consumed increases between fiscal 2006 and fiscal 2008 by a rate of 2.2 percent annually. A portion of the increased consumption might be attributed to heightened efforts to capture the tax on internet sales of cigarettes.

Because of the recent trend in positive growth in cigarette packs consumed, the estimate of taxable cigarette pack sales for the forecast period is calculated by applying a growth rate of 1.0 percent to the base year, fiscal 2008, proxy for taxable packs. The estimates of proxy taxable cigarette packs are 50.8 million, 51.3 million, and 51.9 million for fiscal years 2009 through 2011, respectively. Finally, the current tax rate is applied to the proxy for taxable packs to determine the estimate for gross cigarette tax collections.

Adjustment and Distribution

After estimating the gross cigarette tax collections, the estimates are reduced by the discounts and credits passed on to distributors. The last step in producing the estimate for the cigarette tax is to calculate the tax distributions. First, cigarette tax revenue is reduced by tribal distributions. At this time, five of the seven tribal governments receive cigarette tax dollars, Blackfeet, Fort Belknap, Fort Peck, Chippewa Cree, and Crow. These tribal governments adhere to Montana cigarette tax laws. The state of Montana collects the tribes' portion of the tax and quarterly distributes the collections based on a formula (per capita cigarette consumption times tribal membership times the Montana tax rate). Finally, the remaining tax revenues are distributed proportionally to the programs funded with cigarette tax revenues and to the general fund.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Pack Millions	Tax Rate Per Pack	GF Percent Allocation	Tribal Millions
Actual	2000	11.766271	8.463793		0.180000	0.719327	0.178384
Actual	2001	11.628459	8.284722		0.180000	0.712452	0.285740
Actual	2002	11.052174	7.886903		0.180000	0.713606	0.254115
Actual	2003	16.093023	12.576306		0.266667	0.781476	0.285856
Actual	2004	41.582824	36.001502	60.906841	0.700000	0.865778	0.396269
Actual	2005	54.765357	35.116847	59.042888	1.200000	0.641224	0.841913
Actual	2006	80.180236	34.573004	48.148988	1.700000	0.431191	3.521691
Actual	2007	83.380418	35.829932	49.800300	1.700000	0.429716	3.934892
Actual	2008	83.882749	36.004249	50.306100	1.700000	0.429221	4.050712
Forecast	2009	80.630000	34.564000	48.415426	1.700000	0.451000	3.992000
Forecast	2010	77.025000	32.984000	46.244711	1.700000	0.451000	3.889000
Forecast	2011	77.025000	33.053000	46.244711	1.700000	0.451000	3.737000

	t Fiscal	Discounts Millions	Refunds Millions	Internet Sales Millions	Tribal Exempt Millions
Actual	2000				
Actual	2001				
Actual	2002				
Actual	2003				
Actual	2004	0.392806	0.659160		
Actual	2005	0.427635	3.156340		
Actual	2006	0.419742	0.416996	0.060974	1.302281
Actual	2007	0.427631	0.342696	0.750231	1.183071
Actual	2008	0.429383	0.425500	0.253421	1.128854
Forecast	2009	0.413246	0.409508	0.232615	1.086428
Forecast	2010	0.394718	0.391148	0.232615	1.037718
Forecast	2011	0.394718	0.391148	0.232615	1.037718

Total Tax = Packs * Tax Rate - Discounts - Refunds + Internet Sales - Tribal Exempt
GF Tax = (Total Tax - Tribal) * GF Allocation

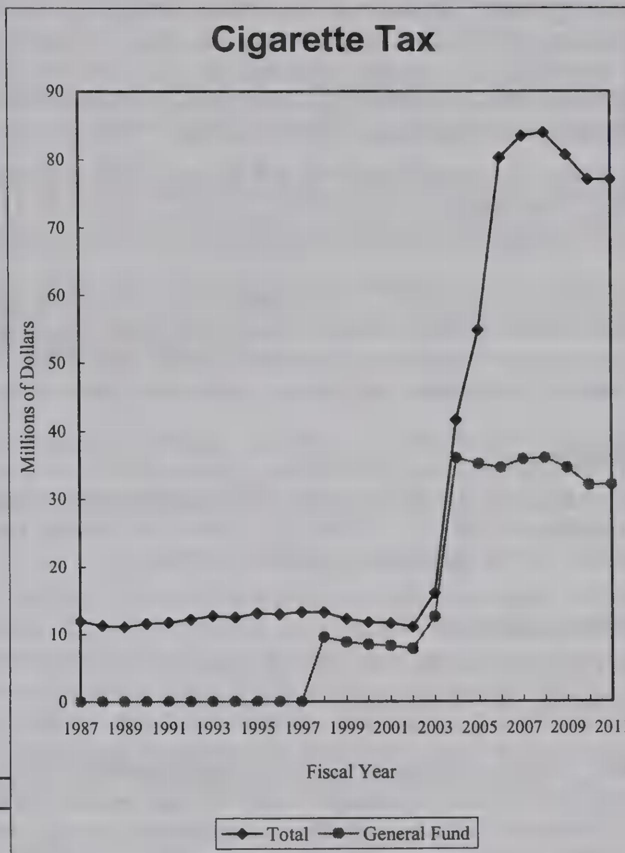
Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	11.894715	0.000000	Not App.
A	1988	11.278326	0.000000	Not App.
A	1989	11.113087	0.000000	Not App.
A	1990	11.567081	0.000000	Not App.
A	1991	11.733190	0.000000	Not App.
A	1992	12.172864	0.000000	Not App.
A	1993	12.698195	0.000000	Not App.
A	1994	12.495504	0.000000	Not App.
A	1995	13.114640	0.000000	Not App.
A	1996	12.969138	0.000000	Not App.
A	1997	13.267373	0.000000	Not App.
A	1998	13.244550	9.543855	Not App.
A	1999	12.265346	8.822721	-7.56%
A	2000	11.766271	8.463793	-4.07%
A	2001	11.628459	8.284722	-2.12%
A	2002	11.052174	7.886903	-4.80%
A	2003	16.093023	12.576306	59.46%
A	2004	41.582824	36.001502	186.26%
A	2005	54.765357	35.116847	-2.46%
A	2006	80.180236	34.573004	-1.55%
A	2007	83.380418	35.829932	3.64%
A	2008	83.882749	36.004249	0.49%
F	2009	80.630000	34.564000	-4.00%
F	2010	77.025000	32.007000	-7.40%
F	2011	77.025000	32.066000	0.18%



Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Revenue Description: The Montana Constitution (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

There are two sources of revenue associated with the taxation of special fuels (primarily diesel): 1) the main source of revenue is a diesel tax of $0.2775 per gallon paid to the Department of Transportation (DOT) for every gallon of diesel sold or used in the state; and 2) a tax of $0.0075 assessed on each gallon of diesel fuel for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0 percent of the diesel tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for commercial vehicle use other than for use on public highways and streets, governmental use, and nonpublic school use for the transportation of pupils.

Statutory Reference:

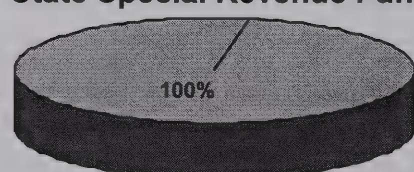
Tax Rate (MCA) – 15-70-321(2), 75-11-313 (storage tank cleanup)
Tax Distribution (MCA) – 15-70-101(1), 75-11-314 (storage tank cleanup)
Date Due – 25th of the following month (15-70-344(1))

Applicable Tax Rate(s):

1. Diesel (Special) Fuel Tax - $0.2775 per gallon
2. Petroleum Storage Tank Cleanup Tax - $0.0075

Distribution: After reductions for: 1) the 1.0 percent withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement (if any) that are deposited in the tribal motor fuels administration account and statutorily appropriated; 3) diesel tax refunds; and 4) amounts refunded through the international fuel tax agreement, diesel tax proceeds are distributed to DOT. Of that amount, 1/4 of $0.01 per gallon is allocated specifically to the funding of highway system maintenance.

Distribution Chart:



Summary of Legislative Action:

House Bill 416 – An exemption from the 27.75 cent tax on diesel is provided to a producer of biodiesel produced from waste vegetable oil feedstock. State special revenue decreases $88,126 in FY 2010 and $88,126 in FY 2011. The legislation is effective July 1, 2009.

Diesel Tax -- Legislation Passed by 61st Legislature
Estimated State Special Revenue Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0416 Exempt certain biodiesel from state tax		(88,126)	(88,126)
Total Estimated State Special Revenue Fund Impact	$0	($88,126)	($88,126)

Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

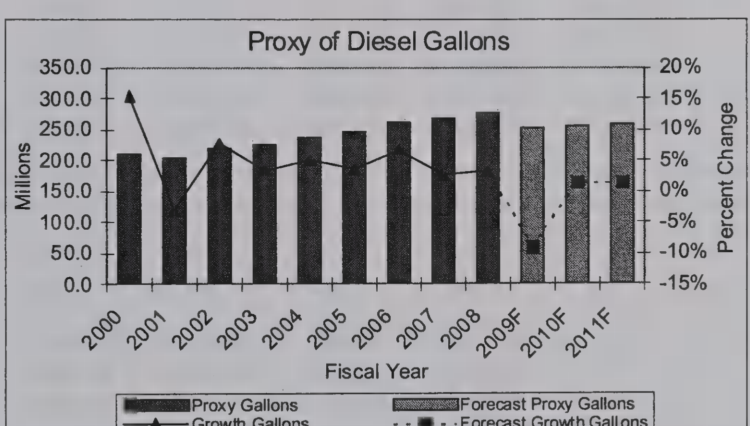
The data used in the diesel fuel tax estimate are obtained from the state accounting system (SABHRS). The SABHRS data includes a historic series of diesel tax revenues and is used to produce a proxy amount for taxable gallons of diesel sold in Montana.

Total diesel taxes are composed of two distinct taxes, the diesel tax and the diesel petroleum storage tank cleanup tax (imposed to cover the cost of storage tank cleanup). Each rate is applied to a proxy for taxable diesel gallons. To create the proxy, the actual tax revenues are increased by refunds and then divided by the "effective tax rate". The effective tax rate is created in recognition of the statutory credit provided to diesel distributors for collection and payment of the tax. Under current law, diesel distributors are allowed to keep 1 percent of the tax on all diesel receipts and must pay 99 percent of the tax receipts to the state. The effective rate for the forecast period is $0.274725. After calculating the proxy taxable gallons, the data can be analyzed.

Analysis

Diesel fuel taxes are estimated as separate taxes. First, the diesel tax is imposed on each gallon of diesel sold in the state. A second tax is imposed on all diesel fuel distributed in the state for the purpose of diesel storage tank clean-up costs (storage tank tax). The two taxes are applied to different bases, because the diesel fuel tax provides credits against the cost of the tax to consumers who use the diesel "off highway".

Diesel fuel sales may be considered a function of the price per gallon of diesel and are highly susceptible to economic activity. Because diesel fuel sales have been significantly impacted by the dramatic increases in price per-gallon in 2008, diesel fuel consumption has not been consistent with the historic trend. Diesel prices are expected to be volatile over the next three years, and in consideration of the volatility, consumption is expected to decline in the near future, fiscal year 2009, and resume a more normal pattern of growth for the remainder of the upcoming biennium, fiscal years 2010 and 2011. To determine the future consumption of diesel fuel, the change in consumption experienced in fiscal year 2008 is duplicated in fiscal 2009. The growth for fiscal years 2010 and 2011 is developed using an average historic rate of growth. The storage tank tax is expected to follow the same patterns as the diesel fuel tax.



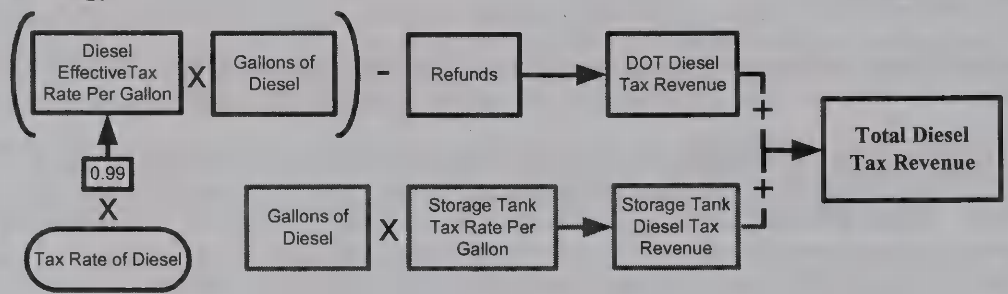
The figure above shows the actual gallons of diesel fuel sold in Montana between fiscal years 2000 and 2008 and the expected sales of diesel fuel for fiscal years 2009 through 2011, along with the expected change between the years. In determining future consumption, the growth rates described above are applied to the base year (fiscal 2008). The results of the method provide an overall average growth in the proxy of diesel fuel gallons consumed in Montana of negative 2.2 percent for each year of the analysis. The same rate of growth is next applied to the base year of the proxy for the storage tank gallons. Finally, the effective diesel fuel tax rates are applied to the estimates to produce the estimate for gross tax revenues.

Adjustments

Several adjustments are made to the expected gross diesel fuel tax revenues. Gross tax revenues are reduced by refunds, incentives, DOT administrative costs, and tribal agreements, resulting in the estimate for net diesel fuel tax revenue. No adjustments are required for the storage tank tax. Next, the net tax revenues of the two taxes are combined to determine the estimate for total diesel fuel tax

revenue. Finally, the tax revenues are distributed to the various state special revenue accounts as described above.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Gross Millions	Diesel Tax Millions	Tank Tax Millions
Actual	2000	56.454757	0.000000	59.780702	54.259213	2.195544
Actual	2001	54.048082	0.000000	57.941310	51.861214	2.186868
Actual	2002	58.260741	0.000000	62.220598	56.094333	2.166408
Actual	2003	60.133456	0.000000	64.332478	57.901809	2.231647
Actual	2004	63.181143	0.000000	67.600256	60.750470	2.430673
Actual	2005	65.366712	0.000000	70.069177	62.722690	2.644022
Actual	2006	70.594582	0.000000	74.766720	67.780065	2.814517
Actual	2007	71.019832	0.000000	76.686649	68.184559	2.835273
Actual	2008	74.301658	0.000000	79.004093	71.487860	2.813798
Forecast	2009	67.750000	0.000000	72.030809	65.084891	2.664667
Forecast	2010	68.721000	0.000000	73.063337	66.017853	2.702863
Forecast	2011	69.692000	0.000000	74.095864	66.950814	2.741060

	t Fiscal	Refunds Millions	Diesel Effective Rate	Tank Effective Rate	Diesel Gallons Millions	Tank Gallons Millions
Actual	2000	-3.325945	0.274725	0.007500	209.610185	292.739200
Actual	2001	-3.893228	0.274725	0.007500	202.946372	291.582400
Actual	2002	-3.959857	0.274725	0.007500	218.597470	288.854400
Actual	2003	-4.199022	0.274725	0.007500	226.047251	297.552933
Actual	2004	-4.419113	0.274725	0.007500	237.217519	324.089733
Actual	2005	-4.702465	0.274725	0.007500	245.427810	352.536267
Actual	2006	-4.172138	0.274725	0.007500	261.906281	375.268933
Actual	2007	-5.666817	0.274725	0.007500	268.819277	378.036400
Actual	2008	-4.702435	0.274725	0.007500	277.332951	375.173067
Forecast	2009	-4.281251	0.274725	0.007500	252.493012	355.288894
Forecast	2010	-4.342621	0.274725	0.007500	256.112379	360.381791
Forecast	2011	-4.403990	0.274725	0.007500	259.731746	365.474688

	t Fiscal	GF Percent	DOT Percent	GF Millions	DOT Millions
Actual	2000	0.0000%	100.0000%	0.000000	54.259213
Actual	2001	0.0000%	100.0000%	0.000000	51.861214
Actual	2002	0.0000%	100.0000%	0.000000	56.094333
Actual	2003	0.0000%	100.0000%	0.000000	57.901809
Actual	2004	0.0000%	100.0000%	0.000000	60.750470
Actual	2005	0.0000%	100.0000%	0.000000	62.722690
Actual	2006	0.0000%	100.0000%	0.000000	67.780065
Actual	2007	0.0000%	100.0000%	0.000000	68.184559
Actual	2008	0.0000%	100.0000%	0.000000	71.487860
Forecast	2009	0.0000%	100.0000%	0.000000	65.085000
Forecast	2010	0.0000%	100.0000%	0.000000	66.018000
Forecast	2011	0.0000%	100.0000%	0.000000	66.951000

Total Tax = Diesel Effective * Diesel Gallons + Tank Effective * Tank Gallons + Refunds

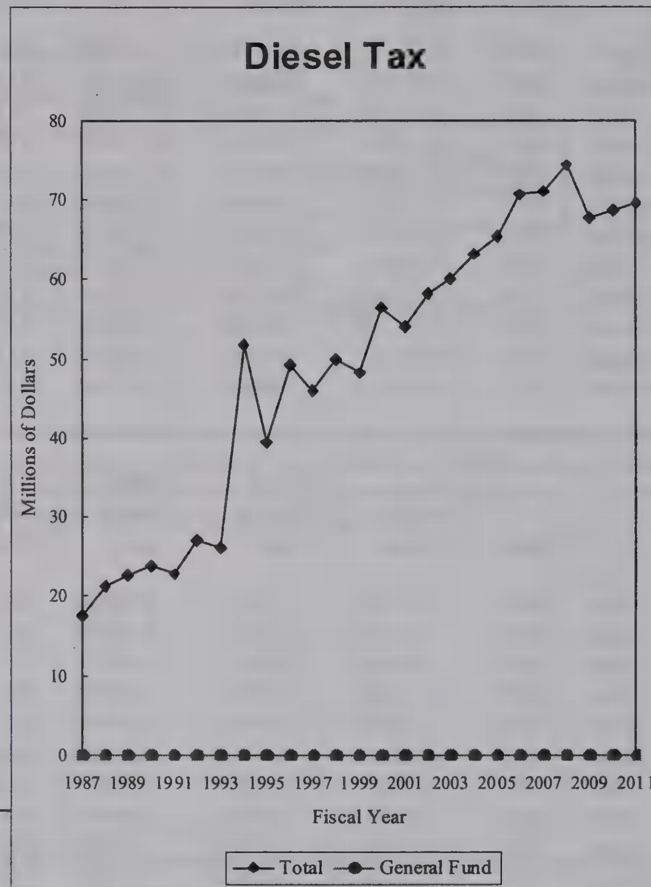
Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	17.541396	0.000000	Not App.
A	1988	21.185521	0.000000	Not App.
A	1989	22.708493	0.000000	Not App.
A	1990	23.821548	0.000000	Not App.
A	1991	22.797863	0.000000	Not App.
A	1992	27.113375	0.000000	Not App.
A	1993	26.158033	0.000000	Not App.
A	1994	51.750972	0.000000	Not App.
A	1995	39.412902	0.000000	Not App.
A	1996	49.192097	0.000000	Not App.
A	1997	45.957040	0.000000	Not App.
A	1998	49.981150	0.000000	Not App.
A	1999	48.216516	0.000000	Not App.
A	2000	56.454757	0.000000	Not App.
A	2001	54.048082	0.000000	Not App.
A	2002	58.260741	0.000000	Not App.
A	2003	60.133456	0.000000	Not App.
A	2004	63.181143	0.000000	Not App.
A	2005	65.366712	0.000000	Not App.
A	2006	70.594582	0.000000	Not App.
A	2007	71.019832	0.000000	Not App.
A	2008	74.301658	0.000000	Not App.
F	2009	67.750000	0.000000	Not App.
F	2010	68.633000	0.000000	Not App.
F	2011	69.604000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Description: The constitution of the state (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

There are two sources of revenue associated with the taxation of gasoline: 1) the primary source of revenue is a gasoline license tax of \$0.27 per gallon paid to the Department of Transportation (DOT) by every distributor for the privilege of selling gasoline; and 2) a tax of \$.0075 assessed on each gallon of gasoline for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0 percent of the gasoline tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for denaturing alcohol used in gasohol, stationary gasoline engines used off public highways and streets, and commercial vehicle use other than for use on public highways and streets.

Statutory Reference:

Tax Rate (MCA) – 15-70-204(1), 75-11-314 (storage tank cleanup)
Distribution (MCA) – 15-70-101(1), 60-3-201(1), 75-11-313 (storage tank cleanup)
Date Due – 25th of the following month (15-70-205(1))

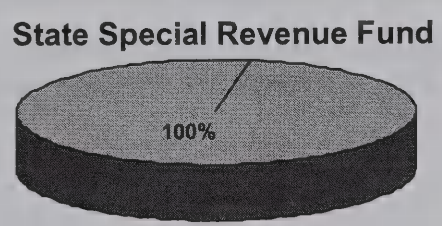
Applicable Tax Rate(s):

1. Gasoline License Tax - \$0.27 per gallon
2. Petroleum Storage Tank Cleanup Tax - \$0.0075

Distribution: After reductions for: 1) the 1.0 percent withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement that are deposited in the tribal motor fuels administration account and statutorily appropriated; 3) gasoline tax refunds; and 4) amounts refunded through the international fuel tax agreement, the remainder of the gasoline tax is allocated as follows:

- 9/10 of 1.0% to the state park account
- 15/28 of 1.0% to a snowmobile account in the state special revenue fund. This amount is further allocated 86.0% for general use, 4.33% for enforcement, 8.67% for safety and education, and 1.0% to the noxious weed trust.
- 1/8 of 1.0% to an off-highway vehicle account in the state special revenue fund. This amount is further allocated 90% for general use (including repair of damaged areas) and 10% for safety.
- 1/25 of 1.0% to the aeronautics revenue fund of the Department of Transportation
- 98.3993% to DOT to be used for highway-related purposes, primarily construction projects and administrative costs. One-fourth of \$.01 per gallon is allocated specifically to the funding of highway system maintenance.

Distribution Chart:



Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Summary of Legislative Action:

Senate Bill 353 – Under previous law, ethanol-blended fuel was taxed at a rate 15 percent lower than gasoline. The legislation eliminates the 15 percent reduction and taxes ethanol-blended gasoline taxed at the same rate as non-blended gasoline. The gasoline tax revenue is deposited in the Department of Transportation state special revenue fund. Gasoline tax revenue increase $6,368,789 in FY 2010 and $6,335,353 in FY 2011. The legislation is effective July 1, 2009.

Gasoline Tax -- Legislation Passed by 61st Legislature
Estimated State Special Revenue Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
SB0353 Remove license tax incentive for ethanol		6,368,789	6,335,353
Total Estimated State Special Revenue Fund Impact	$0	$6,368,789	$6,335,353

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

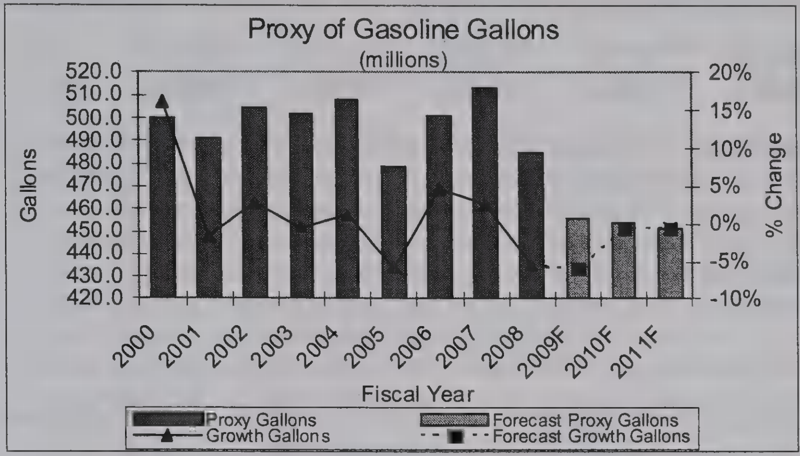
The data used in the gasoline tax estimate are obtained from the state accounting system (SABHRS). The SABHRS data includes a historic series of gasoline tax revenues and is used to produce a proxy amount for taxable gallons of gasoline sold in Montana.

Total gasoline taxes are made up of two distinct taxes, the gasoline tax and the gasoline petroleum storage tank cleanup tax (imposed to cover the cost of storage tank cleanup). Each rate is applied to a proxy for taxable gasoline gallons. To create the proxy, the actual tax revenues are increased by refunds and then divided by the "effective tax rate". The effective tax rate is created in recognition of the statutory credit provided to gasoline distributors for collection and payment of the tax. Under current law, gasoline distributors are allowed to keep 1 percent of the tax on all gasoline receipts and must pay 99 percent of the tax receipts to the state. The effective rate for the forecast period is $0.2673. After calculating the proxy taxable gallons, the data can be analyzed.

Analysis

Gasoline taxes are estimated as separate taxes. First, the gasoline tax is imposed on each gallon of gasoline sold in the state. A second tax is imposed on all gasoline distributed in the state for the purpose of gasoline storage tank clean-up costs (storage tank tax). The two taxes are applied to different bases, because the gasoline tax provides credits against the cost of the tax to consumers who use the gasoline "off highway".

Gasoline sales may be considered a function of the price per gallon of gasoline and are highly susceptible to economic activity. Because gasoline sales have been significantly impacted by the dramatic increases in price per-gallon in 2008, gasoline consumption has not been consistent with the historic trend. Gasoline prices are expected to be volatile over the next three years, and in consideration of the volatility, consumption is expected to decline in the near future, fiscal year 2009, and resume a more normal pattern of growth for the remainder of the upcoming biennium, fiscal years 2010 and 2011. To determine the future consumption of gasoline, the change in consumption experienced in fiscal year 2008 is duplicated in fiscal 2009. The growth for fiscal years 2010 and 2011 is developed using an average historic rate of growth. The storage tank tax is expected to follow the same patterns as the gasoline tax.

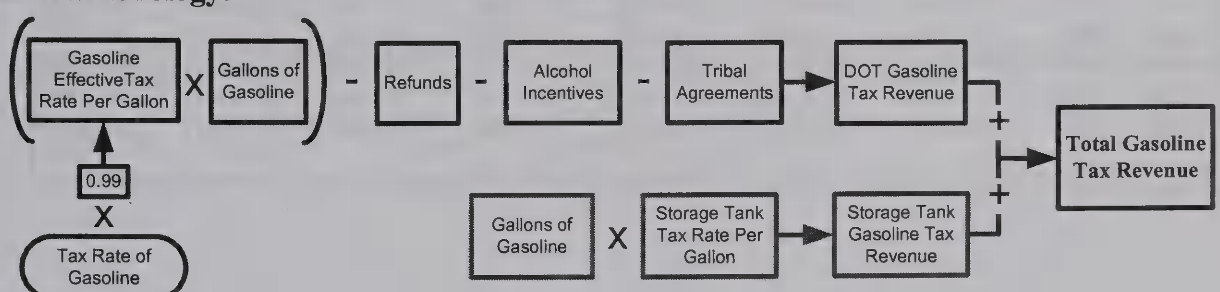


The figure above shows the actual gallons of gasoline sold in Montana between fiscal years 2000 and 2008 and the expected sales of gasoline for fiscal years 2009 through 2011, along with the expected change between the years. In determining future consumption, the growth rates described above are applied to the base year (fiscal 2008). The results of the method provide an overall average growth in the proxy of gasoline gallons consumed in Montana of negative 2.2 percent for each year of the analysis. The same rate of growth is next applied to the base year of the proxy for the storage tank gallons. Finally, the effective gasoline tax rates are applied to the estimates to produce the estimate for gross tax revenues.

Adjustments

Several adjustments are made to the expected gross gasoline tax revenues. Gross tax revenues are reduced by refunds, incentives, DOT administrative costs, and tribal agreements, resulting in the estimate for net gasoline tax revenue. No adjustments are required for the storage tank tax. Next, the net tax revenues of the two taxes are combined to determine the estimate for total gasoline tax revenue. Finally, the tax revenues are distributed to the various state special revenue accounts as described above.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Gross Tax Millions	Gas Tax Millions	Tank Tax Millions
Actual	2000	130.551884	0.000000	137.379589	126.764307	3.787577
Actual	2001	127.754608	0.000000	134.969262	124.059136	3.695472
Actual	2002	131.730649	0.000000	138.612875	128.001188	3.729461
Actual	2003	131.269072	0.000000	137.967329	127.490014	3.779058
Actual	2004	132.962343	0.000000	139.553197	129.154089	3.808254
Actual	2005	125.076432	0.000000	131.616384	121.342893	3.733539
Actual	2006	135.191541	0.000000	137.651975	131.464648	3.726893
Actual	2007	138.761662	0.000000	141.013167	135.041978	3.719684
Actual	2008	131.146993	0.000000	133.429102	127.432645	3.714348
Forecast	2009	123.278000	0.000000	125.423356	119.786687	3.491487
Forecast	2010	122.634000	0.000000	124.768395	119.161160	3.473255
Forecast	2011	121.990000	0.000000	124.113361	118.535564	3.455020

	t Fiscal	Refunds Millions	Alcohol Incentives Millions	Tribal Millions	Gas Effective Rate	Tank Effective Rate	Gas Gallons Millions	Tank Gallons Millions
Actual	2000	-3.267807	0.000000	-3.559898	0.267300	0.007500	499.783060	505.01027
Actual	2001	-3.458208	0.000000	-3.756446	0.267300	0.007500	491.110325	492.72960
Actual	2002	-3.152765	0.000000	-3.729461	0.267300	0.007500	504.614343	497.26147
Actual	2003	-2.985118	0.000000	-3.713139	0.267300	0.007500	502.013734	503.87440
Actual	2004	-2.829688	0.000000	-3.761166	0.267300	0.007500	507.837422	507.76720
Actual	2005	-2.786979	0.000000	-3.752973	0.267300	0.007500	478.424411	497.80520
Actual	2006	-2.460434	0.000000	-3.784988	0.267300	0.007500	501.029113	496.91907
Actual	2007	-2.251505	0.000000	-0.046398	0.267300	0.007500	513.630688	495.95787
Actual	2008	-2.282109	0.000000	0.000000	0.267300	0.007500	485.277793	495.24640
Forecast	2009	-2.145182	0.000000	0.000000	0.267300	0.007500	456.161125	465.53162
Forecast	2010	-2.133980	0.000000	0.000000	0.267300	0.007500	453.779052	463.10061
Forecast	2011	-2.122777	0.000000	0.000000	0.267300	0.007500	451.396712	460.66933

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

	t Fiscal	GF Percent	DOT Percent	FWP Snow Percent	FWP Boat Percent	Aeronautics Percent	Off Highway Percent
Actual	2000	0.0000%	98.3551%	0.4729%	0.9253%	0.0411%	0.0000%
Actual	2001	0.0000%	98.3544%	0.4698%	0.9272%	0.0418%	0.0000%
Actual	2002	0.0000%	98.3640%	0.4711%	0.9227%	0.0411%	0.0000%
Actual	2003	0.0000%	98.3533%	0.4734%	0.9262%	0.0412%	0.0000%
Actual	2004	0.0000%	98.3535%	0.4734%	0.9262%	0.0412%	0.0000%
Actual	2005	0.0000%	98.3480%	0.4746%	0.9283%	0.0412%	0.0000%
Actual	2006	0.0000%	98.3800%	0.4657%	0.9111%	0.0405%	0.0000%
Actual	2007	0.0000%	98.4017%	0.4597%	0.8997%	0.0400%	0.0000%
Actual	2008	0.0000%	98.3672%	0.4603%	0.9003%	0.0400%	0.0000%
Forecast	2009	0.0000%	98.3800%	0.4657%	0.9111%	0.0405%	0.0000%
Forecast	2010	0.0000%	98.3800%	0.4657%	0.9111%	0.0405%	0.0000%
Forecast	2011	0.0000%	98.3800%	0.4657%	0.9111%	0.0405%	0.0000%

	t Fiscal	DOT Percent	FWP Snow Percent	FWP Boat Percent	Aeronautics Percent
Actual	2000	0.01030%	0.02060%	0.05140%	0.01030%
Actual	2001	0.01030%	0.02050%	0.05140%	0.01030%
Actual	2002	0.01030%	0.01950%	0.04920%	0.01030%
Actual	2003	0.01030%	0.02060%	0.05150%	0.01030%
Actual	2004	0.01030%	0.02060%	0.05140%	0.01030%
Actual	2005	0.01030%	0.02100%	0.05240%	0.01030%
Actual	2006	0.01010%	0.02030%	0.05080%	0.01010%
Actual	2007	0.01000%	0.01970%	0.04950%	0.01000%
Actual	2008	0.01000%	0.02030%	0.05050%	0.01000%
Forecast	2009	0.01010%	0.02030%	0.05080%	0.01010%
Forecast	2010	0.01010%	0.02030%	0.05080%	0.01010%
Forecast	2011	0.01010%	0.02030%	0.05080%	0.01010%

Revenue Estimate Profile

Gasoline Tax

	t Fiscal	GF Millions	DOT Millions	FWP Snow Millions	FWP Boat Millions	Aeronautics Millions	Off Highway Millions
Actual	2000	0.000000	124.679120	0.599491	1.172918	0.052130	0.143357
Actual	2001	0.000000	122.017676	0.582819	1.150251	0.051863	0.141735
Actual	2002	0.000000	125.907096	0.603018	1.181094	0.052552	0.143185
Actual	2003	0.000000	125.390592	0.603563	1.180857	0.052481	0.144352
Actual	2004	0.000000	127.027523	0.611397	1.196224	0.053166	0.146194
Actual	2005	0.000000	119.338308	0.575949	1.126371	0.050038	0.138114
Actual	2006	0.000000	129.396116	0.594629	1.163307	0.051698	0.142272
Actual	2007	0.000000	132.884183	0.620624	1.214605	0.053998	0.148138
Actual	2008	0.000000	125.352083	0.586531	1.147236	0.050969	0.140516
Forecast	2009	0.000000	117.847000	0.558000	1.091000	0.049000	0.133000
Forecast	2010	0.000000	117.230000	0.555000	1.086000	0.048000	0.133000
Forecast	2011	0.000000	116.615000	0.552000	1.080000	0.048000	0.132000

	t Fiscal	Weed Gasoline Millions	Snow Enforce. Gasoline Millions	Snow Con-Ed. Gasoline Millions	OHV Con-Ed. Gasoline Millions
Actual	2000	0.013032	0.026065	0.065162	0.013032
Actual	2001	0.012782	0.025441	0.063787	0.012782
Actual	2002	0.013138	0.024943	0.063024	0.013138
Actual	2003	0.013120	0.026270	0.065659	0.013120
Actual	2004	0.013299	0.026570	0.066424	0.013292
Actual	2005	0.012510	0.025528	0.063565	0.012510
Actual	2006	0.012924	0.025951	0.064827	0.012924
Actual	2007	0.013500	0.026643	0.066787	0.013500
Actual	2008	0.012737	0.025826	0.064399	0.012739
Forecast	2009	0.012000	0.024000	0.061000	0.012000
Forecast	2010	0.012000	0.024000	0.061000	0.012000
Forecast	2011	0.012000	0.024000	0.060000	0.012000

Total Tax = Gas Effective * Gas Gallons + Tank Effective * Tank Gallons + Refunds

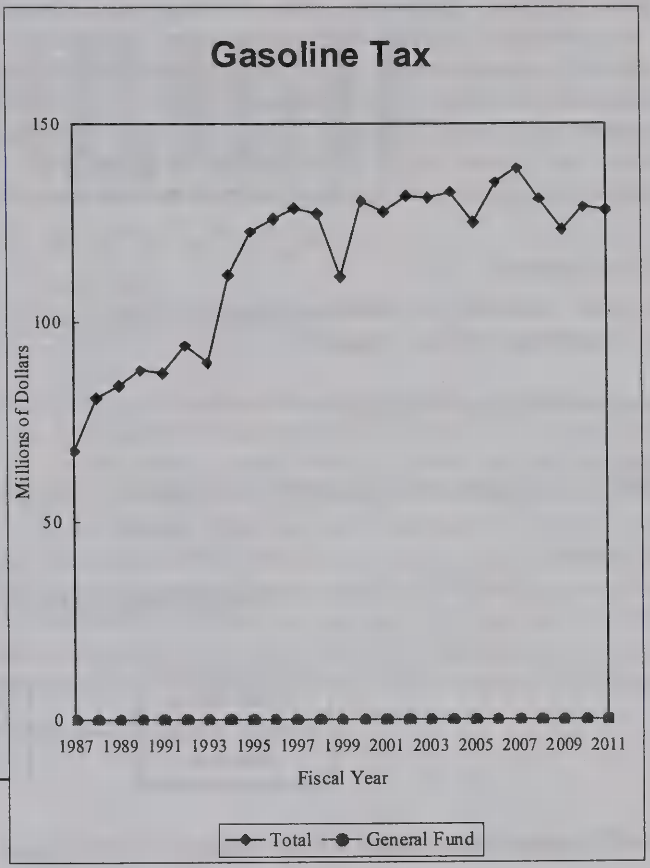
Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	67.631602	0.000000	Not App.
A	1988	80.889296	0.000000	Not App.
A	1989	83.951442	0.000000	Not App.
A	1990	87.893465	0.000000	Not App.
A	1991	87.110555	0.000000	Not App.
A	1992	94.018718	0.000000	Not App.
A	1993	89.738559	0.000000	Not App.
A	1994	111.863525	0.000000	Not App.
A	1995	122.796443	0.000000	Not App.
A	1996	126.214407	0.000000	Not App.
A	1997	128.847545	0.000000	Not App.
A	1998	127.512638	0.000000	Not App.
A	1999	111.536744	0.000000	Not App.
A	2000	130.551884	0.000000	Not App.
A	2001	127.754608	0.000000	Not App.
A	2002	131.730649	0.000000	Not App.
A	2003	131.269072	0.000000	Not App.
A	2004	132.962343	0.000000	Not App.
A	2005	125.076432	0.000000	Not App.
A	2006	135.191541	0.000000	Not App.
A	2007	138.761662	0.000000	Not App.
A	2008	131.146993	0.000000	Not App.
F	2009	123.278000	0.000000	Not App.
F	2010	129.003000	0.000000	Not App.
F	2011	128.325000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Revenue Description: There are two types of revenue derived from over 20 different sources classified under gross vehicle weight (GVW) and other income: fee revenue and permit revenue. The majority of revenue is derived from a variety of GVW fees, including those fees collected by counties when vehicles are registered. Miscellaneous permits comprise the second income component under this source. Enactment of the federal "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" replaces the single state registration system (SSRS) with a new uniform carrier registration program. Elimination of the SSRS (effective January 1, 2007) eliminates the $5 state fee that is deposited to the general fund. The revenue is replaced with revenue from a federal fee. Montana is expected to receive revenue from this fee in the same amount of the lost SSRS revenue.

Statutory Reference:

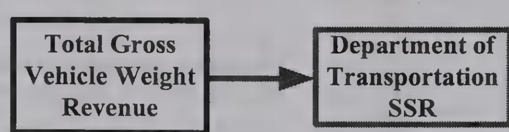
Tax Rate – Multiple (Administrative Rules 18.8.202)
Tax Distribution (MCA) – Multiple

Applicable Tax Rate(s): Various

Distribution: The majority of GVW revenue is allocated to the Department of Transportation.

Distribution Chart:

Beginning January 1, 2007



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue: 0.00% (the general portion is included in "All Other General Fund")

Revenue Estimate Methodology:

Data

The data used in the gross weight vehicle (GVW) tax estimate are obtained from the state accounting system (SABHRS) and the Department of Transportation (DOT). The SABHRS data provides the historic collection data for the 13 different types of fees and permits. The DOT provides statistics on the number of gross weight vehicle licenses for use in Montana. No adjustments are required on the raw data in preparation for analysis.

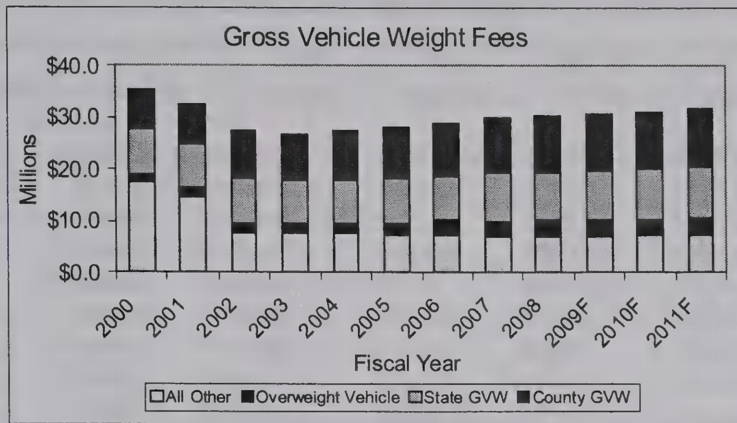
Analysis

The state of Montana imposes many fees and requires several types of permits based on the gross weight of commercial and large privately owned vehicles. In preparing the GVW estimate, 13 sources of fees and permit revenues are analyzed. Most of the sources demonstrate a payment history that can be adequately measured by applying a growth rate to a base year (fiscal 2006). The largest sources of revenue in the GVW are the gross vehicle weight fees collected by both counties and the state. The figure below demonstrates the relative importance of these two sources to the overall GVW collections.

Legislative Fiscal Division

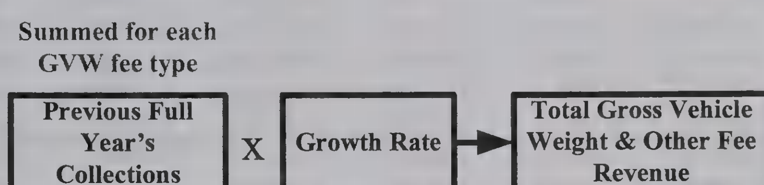
Revenue Estimate Profile

GVW and Other Fees



Both county and state GVW fees are forecast with a compound growth rate and are expected to grow by 1.6 percent over the next biennium. Applying the growth rate to fiscal 2006 revenues, the resulting estimates for county GVW are $11.0 million in fiscal 2009, $11.2 million in fiscal 2010, and $11.4 million in fiscal 2011. The estimates for state GVW are $9.4 million, $9.6 million, and $9.7 million for fiscal 2009 through fiscal 2011, respectively. Another large source of revenue included in the GVW is the fee for overweight vehicles. This fee is estimated with a three-year moving average growth rate. When applied to the base, collections of overweight vehicle fees are expected to be $3.2 million over the biennium. The all other GVW fees, as shown in the figure above, are a collection of 10 different fees and permit types. While each of these fees is estimated separately, in combination the fees are expected to increase at an annual rate of 1.9 percent during the biennium. When summed, all other fees are expected to be $7.1 million in fiscal 2009, $7.2 million in fiscal 2010, and $7.4 million in fiscal 2011. Finally, the estimates for each of the GWV fees and permit collections are combined to produce the total estimate for GVW fees, $30.7 million, $31.2 million, and $31.7 million in fiscal 2009 through fiscal 2011.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

	t Fiscal	Total Tax Millions	GF Tax Millions	GVW Millions	SSRS Millions	Form 3 Millions	Trip Millions	County Millions
Actual	2000	35.210631	1.275935	8.852775	1.275935	0.855910	0.880540	7.321056
Actual	2001	32.377206	1.252221	8.363842	1.252221	0.812782	0.844991	7.681434
Actual	2002	27.265844	1.044512	8.813717	1.044512	0.859843	0.440875	8.933475
Actual	2003	26.818248	1.183822	8.503261	1.183822	1.043854	0.441475	8.800388
Actual	2004	27.499842	1.215079	8.586289	1.215080	1.006892	0.455112	9.397954
Actual	2005	28.149492	1.168512	8.690129	1.168512	0.992080	0.514477	9.919972
Actual	2006	28.916122	1.330190	8.554869	1.336310	1.059142	0.541849	10.242789
Actual	2007	29.760940	0.109577	9.256911	0.109573	1.133481	0.583472	10.543860
Actual	2008	30.237842	-0.034714	9.266031	-0.034714	1.137243	0.642334	10.827437
Forecast	2009	30.727000	0.000000	9.411795	0.000000	1.141018	0.684470	10.997763
Forecast	2010	31.192000	0.000000	9.559908	0.000000	1.144805	0.729371	11.170835
Forecast	2011	31.672000	0.000000	9.713316	0.000000	1.148605	0.777217	11.350093

	t Fiscal	Sales Millions	Overweight Millions	Special Millions	Restricted Millions	Fuel Millions	LPG Millions	Other Millions
Actual	2000	12.533721	1.459102	0.918654	0.000000	0.105370	0.000000	1.007568
Actual	2001	9.923131	1.768619	0.953853	0.000000	0.124626	0.000000	0.651707
Actual	2002	-0.639815	1.845340	0.902845	0.000000	0.107580	0.000000	4.957472
Actual	2003	0.000000	1.815747	0.921775	0.000000	0.105750	0.000000	4.002176
Actual	2004	0.000000	1.902635	0.977915	0.000000	0.108120	0.000000	3.849845
Actual	2005	0.000000	2.075045	1.029744	0.000000	0.110360	0.000000	3.649173
Actual	2006	0.000000	2.645635	1.104107	0.000000	0.117720	0.000000	3.313701
Actual	2007	0.000000	2.778511	1.169869	0.000000	0.125966	0.000000	4.059297
Actual	2008	0.000000	3.185475	1.229064	0.000000	0.150660	0.000000	3.834312
Forecast	2009	0.000000	3.204817	1.242188	0.000000	0.156639	0.000000	3.888309
Forecast	2010	0.000000	3.224277	1.255452	0.000000	0.164376	0.000000	3.943176
Forecast	2011	0.000000	3.243855	1.268858	0.000000	0.170060	0.000000	4.000004

Total Tax = GVW + SSRS + Form 3 + Trip + County + Sales + Overweight + Special + Restricted + Fuel + LPG + Other

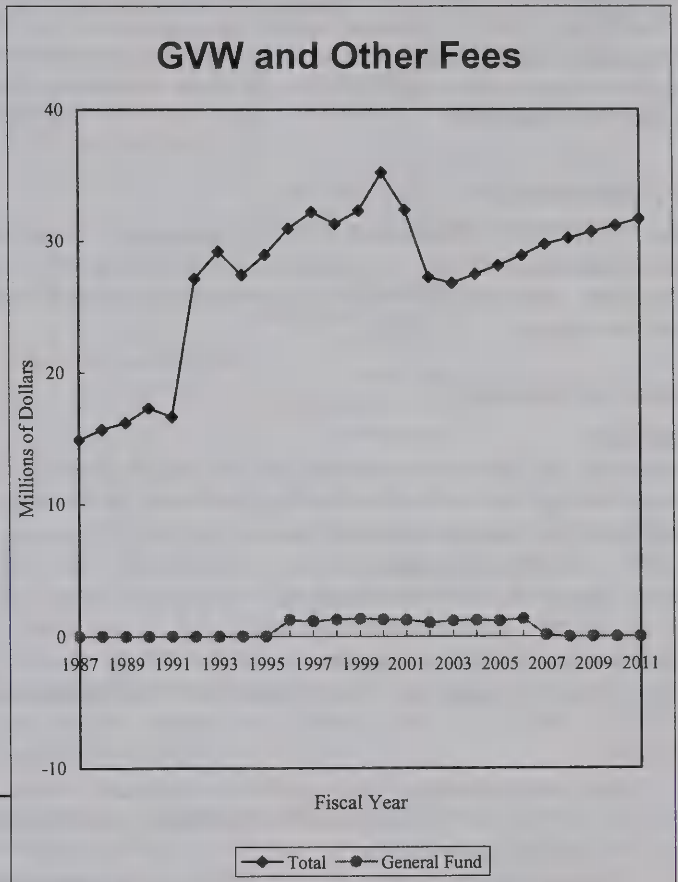
Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	14.912864	0.000000	Not App.
A	1988	15.699160	0.000000	Not App.
A	1989	16.197170	0.000000	Not App.
A	1990	17.314355	0.000000	Not App.
A	1991	16.652775	0.000000	Not App.
A	1992	27.135371	0.000000	Not App.
A	1993	29.201031	0.000000	Not App.
A	1994	27.408456	0.000000	Not App.
A	1995	28.957323	0.000000	Not App.
A	1996	30.946303	1.241263	Not App.
A	1997	32.207050	1.143078	-7.91%
A	1998	31.303824	1.266223	10.77%
A	1999	32.316004	1.332595	5.24%
A	2000	35.210631	1.275935	-4.25%
A	2001	32.377206	1.252221	-1.86%
A	2002	27.265844	1.044512	-16.59%
A	2003	26.818248	1.183822	13.34%
A	2004	27.499842	1.215079	2.64%
A	2005	28.149492	1.168512	-3.83%
A	2006	28.916122	1.330190	13.84%
A	2007	29.760940	0.109577	-91.76%
A	2008	30.237842	-0.034714	-131.68%
F	2009	30.727000	0.000000	-100.00%
F	2010	31.192000	0.000000	Not App.
F	2011	31.672000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state accounts. An excise tax is collected both on liquor sold by DOR and for liquor purchased outside the state, by airlines and railroads (carriers), for consumption within the state. The department also collects a license tax on the sale of liquor. A portion of the excise tax revenue is returned to Indian tribes through an agreement with the department.

Statutory Reference:

Tax Rate (MCA) – Excise tax (16-1-401), License tax (16-1-404)
Tax Distribution (MCA) – Excise tax (16-1-401 & 16-2-108), License tax (16-1-404)
Date Due – Excise tax is collected at the time of sale and distributed by the 10^{th} day of each month. License tax is collected at the time of sale.

Applicable Tax Rate(s):

Excise Tax Rate

All liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed the liquor is taxed a percentage rate on the retail selling price based on the following number of proof gallons of liquor nationwide in the calendar year preceding imposition of the tax:

- 3.0% - < 20,000 proof gallons
- 8.0% - 20,000 to 50,000 proof gallons
- 13.8% - 50,001 to 200,000 proof gallons
- 16.0% - Over 200,000 proof gallons

The amount of excise taxes paid by carriers includes additional factors related to departures and passenger miles.

License Tax Rate

- 10.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

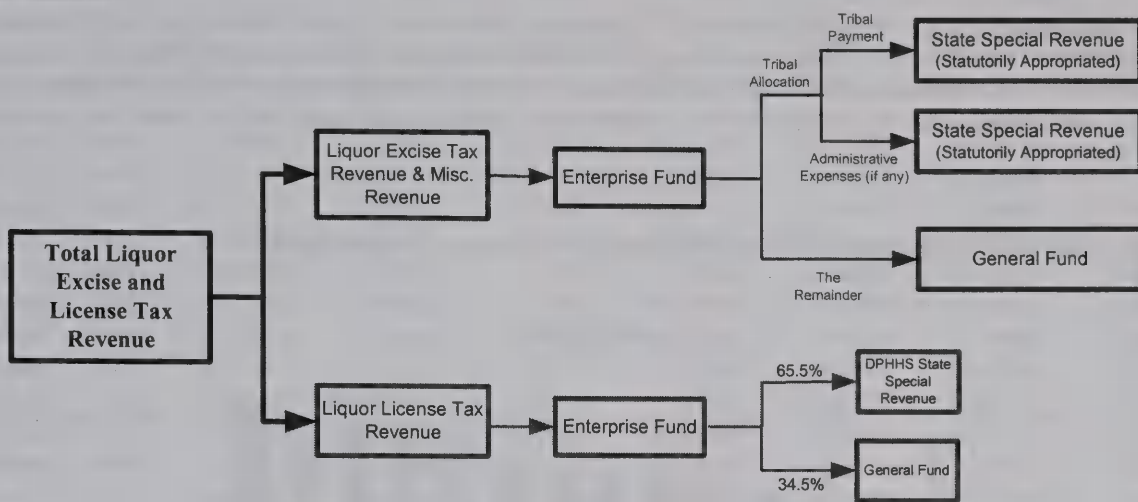
Distribution:

Excise tax revenue, less amounts distributed to Indian tribes, is deposited in the enterprise fund for transfer to the general fund.

License tax revenue is allocated to the enterprise fund for transfer 34.5 % to the general fund and 65.5% to the Department of Public Health and Human Services for alcohol treatment and rehabilitation programs.

Liquor Excise and License Tax

Distribution Chart:



Summary of Legislative Action:

House Bill 412 – The legislation reduces the liquor excise tax rate for producers that produce less than 50,000 proof gallons of liquor annually. Under previous law, the liquor excise tax rate was 16 percent of the retail selling price for producers that produce 200,000 or more proof gallons annually and 13.8 percent of the retail selling price for producers that produce less than 200,000 proof gallons annually. Under this legislation, if nationwide production is: 1) less than 20,000 gallons the tax rate is 3 percent; 2) between 20,001 and 50,000 gallons the rate is 8 percent; 3) between 50,001 and 200,000 gallons the rate is 13.8 percent; and 4) over 200,000 gallons the rate is 16 percent. Since the liquor control division does not currently carry any products from producers that produce less than 50,000 proof gallons of liquor annually, no fiscal impact is anticipated. The legislation is effective on passage and approval and the new rates apply to liquor sold and delivered after July 1, 2009.

Senate Bill 438 – In addition to increasing liquor excise and license tax revenue, the legislation also changes beer and liquor profit revenues. The revenue effects and details of these latter changes are shown in the "Beer Tax" and "Liquor Profits" revenue source sections. This legislation reclassifies malt beverages with caffeine or other stimulants as liquor and taxes the beverages at the same rate as liquor, based on the wholesale price. Under previous law, malt beverages were taxed as beer. General fund revenue increases $23,201 in FY 2010 and $31,524 in FY 2011 and state special revenue increases $31,070 in FY 2010 and $42,216 in FY 2011. Since the legislation does not include an effective date, it is effective October 1, 2009.

Liquor Excise & License Tax -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0412 Revise liquor excise tax rates for smaller producers			
SB0438 Regulate sale of alcoholic energy drinks		23,201	31,524
Total Estimated General Fund Impact	$0	$23,201	$31,524

% of Total General Fund Revenue:

FY 2004 – 0.78%
FY 2005 – 0.75%
FY 2006 – 0.74%
FY 2007 – 0.76%
FY 2008 – 0.76%

Revenue Estimate Methodology:

Data

To create the liquor excise and the liquor license tax projections, the data are obtained from the Department of Revenue (DOR), Global Insight, and the state accounting system (SABHRS). The DOR data provides the details of monthly liquor sales and costs. Global Insight provides estimates for the change in the consumer price index (CPI), and historic tax revenue data from SABHRS are used to confirm the adequacy of the estimates.

Legislative Fiscal Division

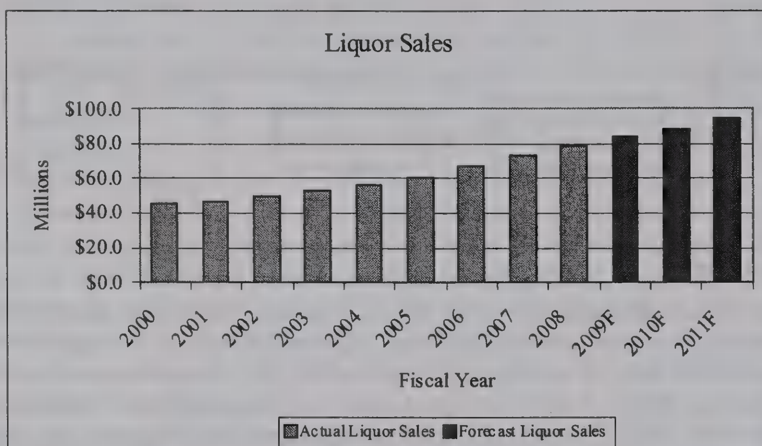
Revenue Estimate Profile

Liquor Excise and License Tax

Total liquor taxes are made up of two taxes, an excise tax and a license tax. While each tax has a different rate, both taxes are assessed on the retail sales price of the commodity. The tax rate is lower for companies that produce less than 200,000 gallons. However, for the purpose of estimating future liquor taxes, the tax rates for liquor sales by companies who produce less than 200,000 gallons of liquor are not considered. Consequently, the rate of the excise tax is estimated at 16 percent of the price, and the license tax is estimated at 10 percent of the price.

Analysis

Analysis shows a constant upward trend in liquor sales in Montana, as shown in the figure below.

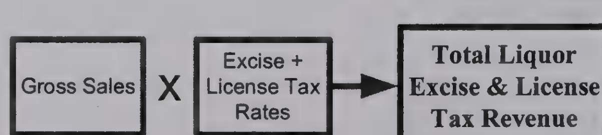


The estimate of liquor taxes is calculated by applying growth rates to base year values of both the amount of liquor units sold and the per unit price of liquor. The expected sales of liquor units are estimated by applying a five-year average growth factor. The annual growth factor for the forecast period is 6.5 percent, annually. The growth rate for the price per liquor unit is estimated using the past year price as the base. This price is adjusted in subsequent years by the change in the CPI, as estimated by Global Insight, adjusted by the long term ratio of the change in the cost of liquor units to the change in the CPI. The calculated growth rates are 2.2 percent in fiscal 2009, 1.3 percent in fiscal 2010, and 1.8 percent in fiscal 2011. When total units and sales per unit are multiplied, total estimated gross liquor sales in Montana are estimated to be $83.6 million, $88.8 million, and $94.6 million for fiscal years 2009 through 2011, respectively. The final step is to apply both tax rates to the estimate of liquor sales to determine the estimate for the combined liquor excise and license taxes.

Adjustment and Distribution

The last step in producing the estimate for liquor taxes is to calculate the tax distributions. Liquor taxes are distributed to the general fund after a reduction for tribal reimbursements. At this time, three of the seven tribal governments receive liquor tax dollars, Blackfeet, Fort Belknap, and Fort Peck. These tribal governments adhere to the Montana liquor tax laws. The state of Montana collects the tribes' portion of the liquor taxes and quarterly distributes those collections based on a formula (per capita liquor consumption times tribal membership times the Montana tax rate). After reducing the excise tax revenue by the tribal distribution, the revenue is distributed to the enterprise fund and then to the general fund. The license tax is distributed to the enterprise fund and then to the general fund and the Department of Public Health and Human Services.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

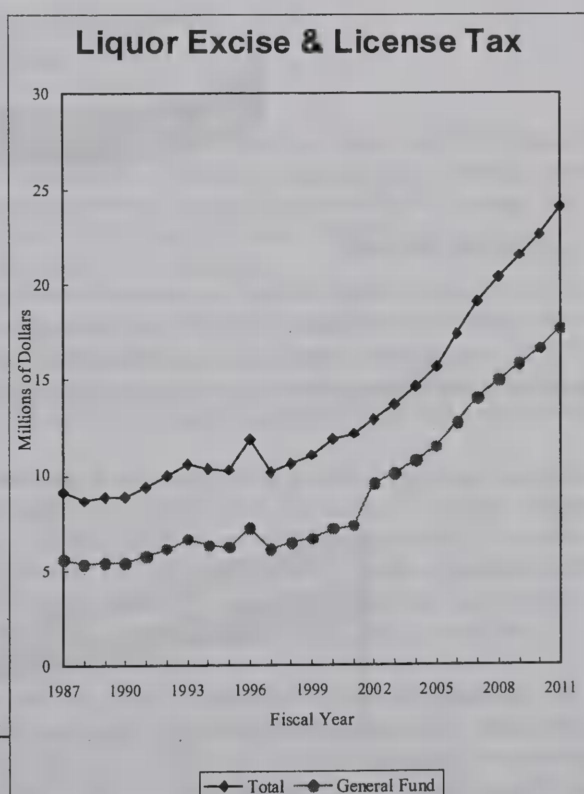
	t Fiscal	Total Tax Millions	GF Tax Millions	Tribal Millions	Gross Sales - Taxes Millions	Excise Rate Percent	License Rate Percent	GF License Allocation Percent
Actual	2000	11.849397	7.171721	0.118276	45.609283	0.160000	0.100000	
Actual	2001	12.137310	7.342732	0.126171	46.701813	0.160000	0.100000	
Actual	2002	12.895945	9.513531	0.133456	49.615021	0.160000	0.100000	0.344908
Actual	2003	13.644481	10.042488	0.165323	52.479352	0.160000	0.100000	0.345000
Actual	2004	14.615466	10.717967	0.216395	56.212333	0.160000	0.100000	0.345000
Actual	2005	15.618635	11.468432	0.216693	60.068788	0.160000	0.100000	0.345000
Actual	2006	17.311704	12.709110	0.242086	66.600387	0.160000	0.100000	0.345000
Actual	2007	19.041907	13.981692	0.263726	73.255070	0.160000	0.100000	0.345000
Actual	2008	20.335091	14.925058	0.287605	78.249724	0.160000	0.100000	0.345000
Forecast	2009	21.498000	15.787000	0.295000	82.677501	0.160000	0.100000	0.345000
Forecast	2010	22.572000	16.570000	0.316000	86.743869	0.160000	0.100000	0.345000
Forecast	2011	24.010000	17.627000	0.335000	92.245980	0.160000	0.100000	0.345000

Total Tax = Gross Sales * Excise Rate + Gross Sales * License Rate

GF Tax = Gross Sales * Excise Rate - Tribal + Gross Sales * License Rate * GF License Allocation

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	9.079530	5.589174	Not App.
A	1988	8.646707	5.322934	-4.76%
A	1989	8.819075	5.429220	2.00%
A	1990	8.814424	5.428076	-0.02%
A	1991	9.361042	5.759437	6.10%
A	1992	9.946010	6.122351	6.30%
A	1993	10.571520	6.645090	8.54%
A	1994	10.303391	6.323863	-4.83%
A	1995	10.255831	6.217993	-1.67%
A	1996	11.871701	7.202584	15.83%
A	1997	10.126391	6.106989	-15.21%
A	1998	10.585431	6.412379	5.00%
A	1999	11.024808	6.666293	3.96%
A	2000	11.849397	7.171721	7.58%
A	2001	12.137310	7.342732	2.38%
A	2002	12.895945	9.513531	29.56%
A	2003	13.644481	10.042488	5.56%
A	2004	14.615466	10.717967	6.73%
A	2005	15.618635	11.468432	7.00%
A	2006	17.311704	12.709110	10.82%
A	2007	19.041907	13.981692	10.01%
A	2008	20.335091	14.925058	6.75%
F	2009	21.498000	15.787000	5.78%
F	2010	22.586000	16.581000	5.03%
F	2011	24.028000	17.641000	6.39%



Legislative Fiscal Division
Revenue Estimate Profile
Liquor Profits

Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor and fortified wine to retail liquor establishments throughout the state. These sales result in profits that are deposited in the general fund. Tax revenues generated from liquor excise and license taxes, as well as wine taxes, are estimated under separate methodologies.

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and fortified wine, less costs such as commissions and discounts. House Bill 348 enacted by the 2001 Legislature phased-in liquor store commission increases based on sales volume over a three-year period beginning fiscal 2003. A 40.0 percent mark-up is added to the state's base cost for liquor. The state's mark-up percentage on the base cost of fortified wine (more than 16% but no greater than 24% alcohol by volume) is 51%. The mark-up percentage for both liquor and wine is determined by administrative rule (see ARM 42.11.104).

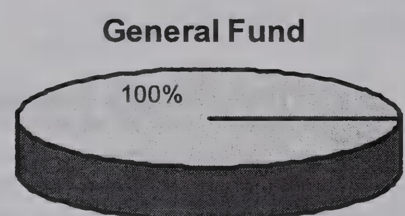
Statutory Reference:

Tax Rate – Authority to markup the price is found in 16-1-404(2) and ARM 42.11.104
Tax Distribution (MCA) – 16-2-108(4)
Date Due – NA

Applicable Tax Rate(s): N/A

Distribution: Liquor profits are deposited in the general fund annually.

Distribution Chart:



Summary of Legislative Action:

House Bill 2 – The money appropriated from certain accounts impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the executive budget and finalized in HJ 2, final appropriations set by the legislature (such as those in HB 2 and HB 5) may differ and, thus, may affect revenue. Revenue changes due to changes in appropriations occur in the liquor division account (DOR) and reduce the liquor profits deposited in the general fund by $35,117 in FY 2010 and $34,790 in FY 2011. The legislation is effective June 1, 2009.

House Bill 5 – The money appropriated from certain accounts impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the executive budget and finalized in HJ 2, final appropriations set by the legislature (such as those in HB 2 and HB 5) may differ and, thus, may affect revenue. The legislation reduces liquor profits in the 2011 biennium by appropriating $1,750,000 from the liquor enterprise fund for deferred maintenance and energy upgrades at the state liquor warehouse. The reduction of liquor profits transferred to the general fund is $1,750,000 in FY 2010. The legislation is effective on passage and approval.

House Bill 656 – The legislation allows agency liquor stores to purchase products at sale prices for an additional two weeks prior to the beginning of the sale. Given the increased timing of sale priced goods, the volume of liquor sales is expected to increase, thus increasing commissions paid by the state to liquor stores. The increased commissions reduce liquor profits that are transferred to the general fund. General fund revenue is reduced $30,062 in FY 2010 and $32,556 in FY 2011. Since the legislation does not include an effective date, the legislation is effective October 1, 2009.

Senate Bill 438 – In addition to increasing liquor profits, the legislation also reduces beer tax revenues and increases liquor excise and license tax revenues. The revenue effects and details of these latter changes are shown in the "Beer Tax" and "Liquor Excise

and License Tax" revenue source sections. The legislation reclassifies malt beverages with caffeine or other stimulants as liquor and taxes the beverages at the same rate as liquor, based on the wholesale price. Under previous law, malt beverages were taxed as beer. Liquor profits transferred to the general fund increase $16,156 in FY 2010 and $21,952 in FY 2011. Since the legislation does not include an effective date, it becomes effective October 1, 2009.

Senate Bill 511 - The legislation establishes a sacramental wine license which allows the licensee to sell wine to rabbis, priests, pastors, ministers or other religious officials. There is an application fee of $200 and an annual license renewal fee of $100 (three licenses are assumed). It is assumed that 450 cases with 12 bottles each of sacramental wine will be sold each year, generating an additional $540 in liquor profit revenue transferred to the general fund. General fund revenue increases $1,140 in FY 2010 and $840 in FY 2011. The legislation is effective on passage and approval.

Liquor Profits -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0002 General appropriations act		(35,117)	(34,790)
HB0005 Long-range building appropriations -- include energy conservation		(1,750,000)	
HB0656 Revise liquor store commissions		(30,062)	(32,556)
SB0438 Regulate sale of alcoholic energy drinks		16,156	21,952
SB0511 Retail license to sell table wine for sacramental purposes		1,140	840
Total Estimated General Fund Impact	$0	($1,797,883)	($44,554)

% of Total General Fund Revenue:

FY 2004 – 0.47%
FY 2005 – 0.43%
FY 2006 – 0.44%
FY 2007 – 0.45%
FY 2008 – 0.45%

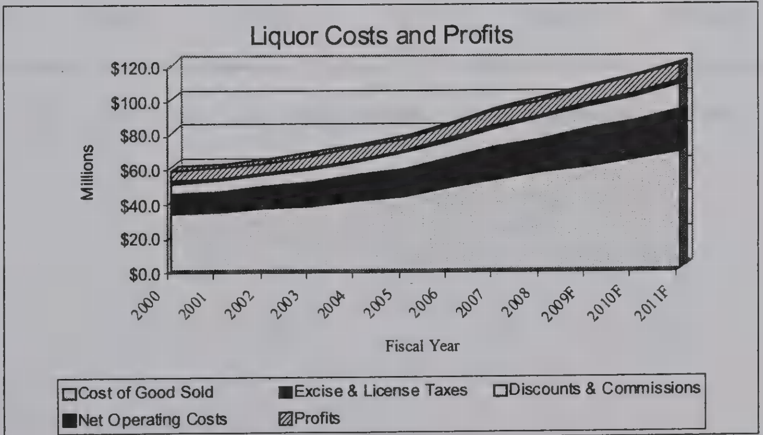
Revenue Estimate Methodology:

Data

The estimate for the liquor profits is dependent on total liquor sales, the cost of goods sold, and other operational expenditures. Data are obtained from the Department of Revenue (DOR), the state budget system (MBARS), and the state accounting system (SABHRS). DOR provides monthly historical data for the total liquor sales, the number of units of liquor sold, and the average price for each unit of liquor. MBARS provides the present law operational budget for the DOR liquor division. SABHRS data provides a historic breakout of liquor expenses and is used as a comparison to check the adequacy of the estimate.

Analysis

As seen in the figure below, the profits are a small part of the total liquor sales. Since fiscal 2000, profits have averaged about 9.2 percent of total tax included liquor sales. In the forecast period, profits are expected to be approximately 8.1 percent of total tax included sales.



Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

The starting point in estimating liquor profits is the gross sales of liquor. The steps in determining the liquor profits are as follows:

- Determine units
- Determine total sales value (units * price per unit)
- Determine costs of goods sold (units * cost per unit)
- Calculate discounts and commissions
- Obtain operating budgets
- Calculate taxes

Liquor profits are estimated by reducing total tax included liquor sales (for the methodology of total liquor sales, see the "Liquor Excise and License Tax" revenue section) by all the costs of doing business. For the purpose of estimating liquor profits, the cost of doing business includes the cost of the goods sold (cost of liquor and transportation), the taxes (excise and license), discounts and commissions, and net operating costs (program administration). These costs historically represent 91.1 percent of the cost of a unit of liquor. When costs are subtracted from total sales, the resulting amount is the estimate for liquor profits.

Forecast Methodology:

Gross Liquor Sales Including Taxes + Miscellaneous Income - Excise & License Taxes - Discounts & Commissions - Costs of Goods Sold - Liquor Operation Costs → **Total Liquor Profits Revenue**

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	GF Profit Millions	Gross Sales + Taxes Millions	Excise License Tax Millions	Discount Commission Millions	Cost of Goods Millions	Operation Costs Millions	Other Income Millions
Actual	2000	5.900000	57.467696	11.853082	6.003244	32.318259	1.202429	0.039667
Actual	2001	5.900000	58.844284	12.141061	6.134579	33.666541	1.301124	0.003416
Actual	2002	5.600000	62.514926	12.898347	6.797458	35.279453	1.477563	0.008387
Actual	2003	6.000000	66.123983	13.643474	7.432835	37.321005	1.484600	0.007831
Actual	2004	6.500000	70.827539	14.613826	8.165280	39.933421	1.506793	0.009589
Actual	2005	6.650000	75.686673	15.616350	9.161860	42.693308	1.553030	0.000000
Actual	2006	7.450000	83.916488	17.309889	10.147568	47.306545	1.691865	0.000000
Actual	2007	8.200000	92.301388	19.039498	11.130789	52.142312	1.736389	0.000000
Actual	2008	8.775000	98.594652	20.333301	12.114487	55.687736	1.683323	0.000000
Forecast	2009	8.910000	104.173651	21.496150	12.799984	58.927877	2.298217	0.000000
Forecast	2010	9.237000	109.297275	22.553406	13.429532	61.807000	2.669799	0.000000
Forecast	2011	9.749000	116.229935	23.983955	14.281359	65.936209	2.833902	0.000000

GF Profits = Gross Sales - Excise/License Tax - Discount/Commission - Cost of Goods - Operation Costs + Other

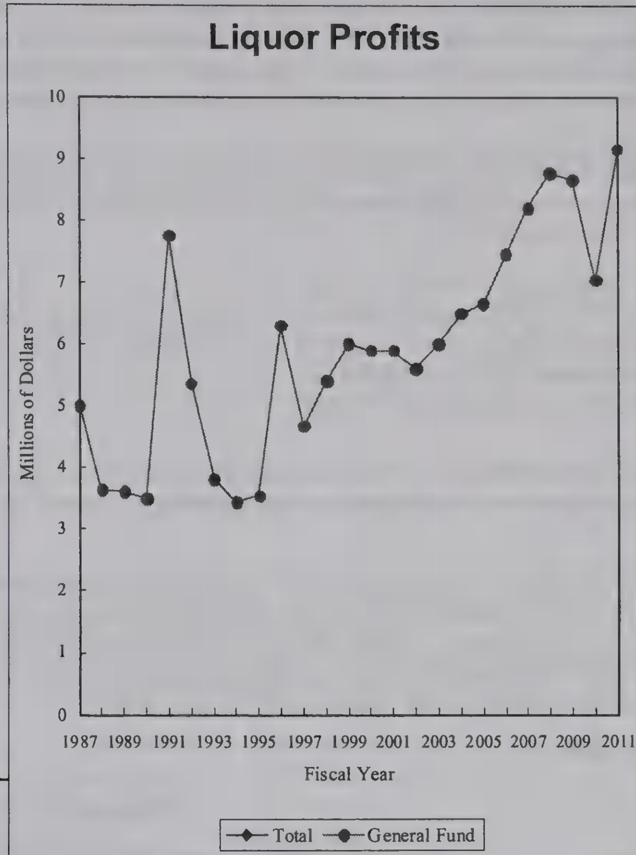
Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	5.000000	5.000000	Not App.
A	1988	3.633000	3.633000	-27.34%
A	1989	3.600000	3.600000	-0.91%
A	1990	3.500000	3.500000	-2.78%
A	1991	7.750000	7.750000	121.43%
A	1992	5.363000	5.363000	-30.80%
A	1993	3.800000	3.800000	-29.14%
A	1994	3.437523	3.437523	-9.54%
A	1995	3.537241	3.537241	2.90%
A	1996	6.300000	6.300000	78.10%
A	1997	4.675000	4.675000	-25.79%
A	1998	5.400000	5.400000	15.51%
A	1999	6.000000	6.000000	11.11%
A	2000	5.900000	5.900000	-1.67%
A	2001	5.900000	5.900000	0.00%
A	2002	5.600000	5.600000	-5.08%
A	2003	6.000000	6.000000	7.14%
A	2004	6.500000	6.500000	8.33%
A	2005	6.650000	6.650000	2.31%
A	2006	7.450000	7.450000	12.03%
A	2007	8.200000	8.200000	10.07%
A	2008	8.775000	8.775000	7.01%
F	2009	8.651000	8.651000	-1.41%
F	2010	7.039000	7.039000	-18.63%
F	2011	9.149000	9.149000	29.98%



Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Revenue Description: The Montana state lottery was enacted by legislative referendum and became effective January 1, 1987. The first lottery game began in June 1987. A lottery is generally defined as "any procedure in which one or more prizes are distributed among persons who have paid for a chance to win a prize". The games are administered by the Department of Administration. By law, a minimum of 45.0 percent of the money paid for tickets or chances must be paid out as prizes.

Lottery revenue is derived from ticket sales, sales agents license fees, and unclaimed prizes. Sales revenue is initially deposited into an enterprise fund known as the state lottery fund. After paying prizes, ticket costs, commissions, and other operating costs, any profits are transferred to the general fund.

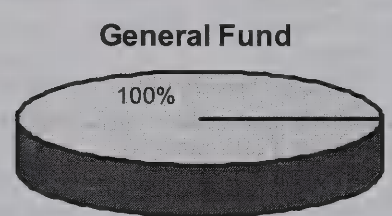
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 23-7-402(3)
Date Due – quarterly (23-7-402(3))

Applicable Tax Rate(s): There is no actual tax rate involved. However, applicants for sales agent licenses are charged a $50.00 fee to cover the cost of investigating and processing the applications.

Distribution: All gross lottery revenue not used for prizes, commissions, administration, and operating expenses, together with the interest earned (on the gross revenue while the gross revenue is in the enterprise fund), is considered net revenue. This net revenue is transferred to the general fund. Senate Bill 55, passed by the 1999 Legislature, requires the Department of Commerce to submit a biennium budget for the state lottery fund for appropriation by the legislature. By determining the amount appropriated, the legislature has better control over the amount transferred to the general fund.

Distribution Chart:



Summary of Legislative Action:

House Bill 2 – The money appropriated from certain accounts impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the executive budget and finalized in HJ 2, final appropriations set by the legislature (such as those in HB 2 and HB 5) may differ and, thus, may affect revenue. Revenue changes due to decreases in appropriations occur in the lottery division lottery enterprise fund (DofA) and increase lottery profits transferred to the general fund. General fund revenue increases $62,654 in FY 2010 and $63,990 in FY 2011. The legislation is effective July 1, 2009.

Lottery Profits -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0002 General appropriations act		62,654	63,990
Total Estimated General Fund Impact	$0	$62,654	$63,990

Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

% of Total General Fund Revenue:

FY 2004 – 0.59%
FY 2005 – 0.41%
FY 2006 – 0.53%
FY 2007 – 0.62%
FY 2008 – 0.56%

Revenue Estimate Methodology:

The estimate for lottery profits is derived by estimating the various sources of revenue to the enterprise fund and then estimating the various expenses of the fund. Revenues less expenses are considered net revenue (profits).

Data

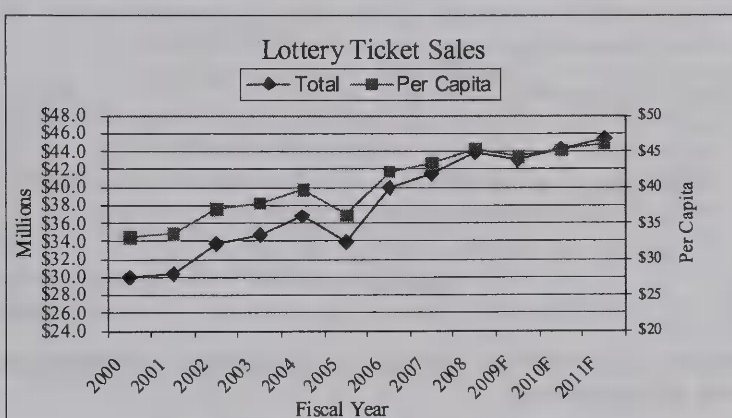
Data from SABHRS provide a history of the enterprise fund revenues and expenditures. Annual reports received from the Montana Lottery Commission provide additional financial information about the fund. Lottery personnel are contacted for their views on trends in lottery tickets sale and other factors that may influence revenues or expenditures. The state budgeting system is used to obtain estimates of appropriated administrative expenses. Montana population statistics from Global Insight (see "Montana Population" in the Overview section) are used to derive per capita ticket sales.

Analysis

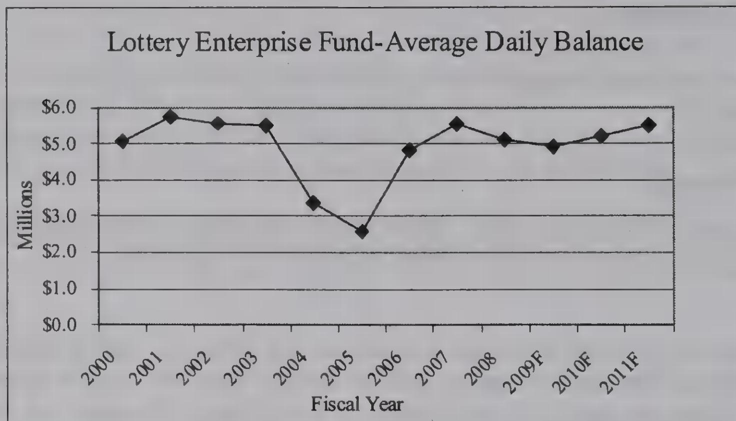
The estimate for lottery profits is derived by first estimating the four revenue components and then the two expenditure components.

Revenue

1. Ticket sales – This component comprises the large majority of lottery revenue. To derive this estimate, a per capita ticket sales amount is multiplied by the estimate of Montana's population. Since lottery personal state that FY 2008 was an unusual year, the estimate for per capital ticket sales for FY 2009 is based on FY 2007 per capita sales multiplied by an historic average rate of growth in per capita sales. Estimates for FY 2010 and FY 2011 are based on the previous fiscal year.



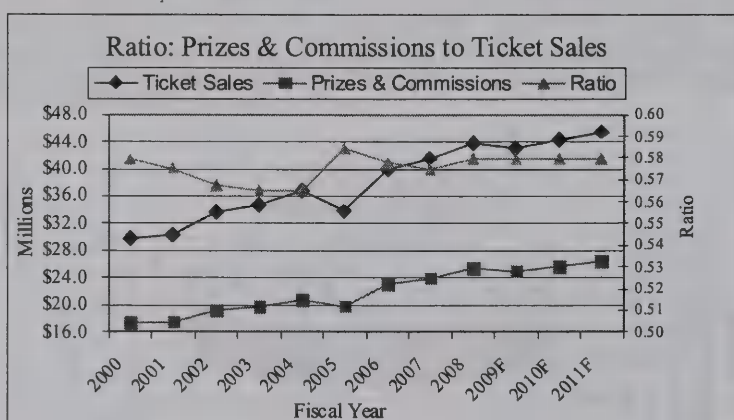
2. Licenses – Applicants who apply for a sales agent license pay a $50 license fee. To estimate this revenue component, the amount from the last known fiscal year is used for all subsequent years.
3. Interest earnings – Money in the lottery enterprise fund as well as Montana's share of money held by the Multi-State Lottery Association, earns interest at the short-term interest rate and is deposited to the enterprise fund. To estimate interest earnings, the average daily balance is multiplied by the short-term interest rate. The average daily balance is determined by: a) first, deriving the balance for the last known fiscal year by dividing known interest earnings by the known short-term interest rate; b) second, developing a balance ratio between the balance derived from (a) above and ticket sales from the last known fiscal year; c) multiplying this ratio by the ticket sales estimate (from number 1 above) for each subsequent year to derive the average daily balance. Once the balance has been estimated, it is multiplied by the applicable short-term interest rate (see the "Treasury Cash Account" revenue source for details on the development of this rate).



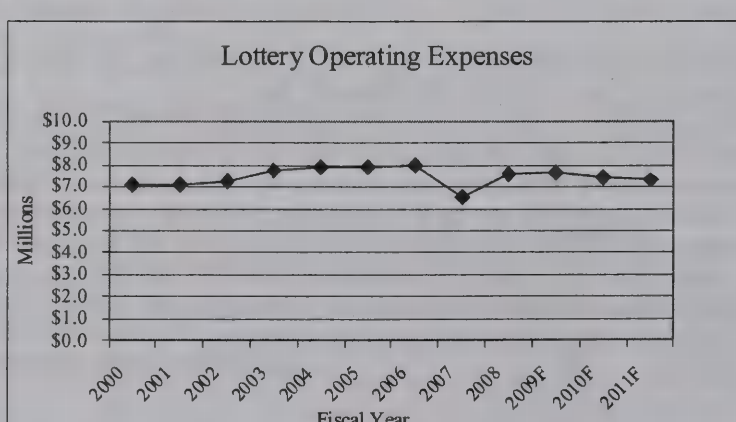
4. Other – The small amounts of miscellaneous revenue from the last known fiscal year is used for all subsequent years.

Expenditures

1. Prizes and Commissions – Since the ratio of prizes and commissions to ticket sales is relative constant, this ratio is computed for all years with actual data. The ratio from the last known year is multiplied by the estimated amount of ticket sales (see above) for each subsequent fiscal year to derive the estimate of prizes and commissions.



2. Operations – To estimate the operational costs for the three fiscal years in question, budget submissions by the Lottery Commission, as shown on the state budgeting system, are used.



Adjustments and Distribution
Once total revenue and total expenditures have been estimated, the difference is the expected profit. All profits are deposited to the general fund.

Forecast Methodology:

Ticket Sales + Interest Earnings + Other Revenue - Lottery Operation Costs - Prize & Commissions → **Total Lottery Profits Revenue**

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Profit Millions	GF Profits Millions	Sales Millions	Interest Millions	Other Millions	Operating Millions	Prizes Millions
Actual	2000	5.840985	5.840985	29.899809	0.278620	0.075465	7.091950	17.320959
Actual	2001	6.137493	6.137493	30.366526	0.275320	0.056324	7.098631	17.462046
Actual	2002	7.467030	7.467030	33.632276	0.145685	0.039096	7.264246	19.085781
Actual	2003	7.453281	7.453281	34.682494	0.077164	0.014065	7.721733	19.598709
Actual	2004	8.115602	8.115602	36.737657	0.043993	0.002536	7.897710	20.770874
Actual	2005	6.222555	6.222555	33.811245	0.063414	0.030023	7.912905	19.769222
Actual	2006	9.110455	9.110455	39.918414	0.199918	0.010548	7.962362	23.056063
Actual	2007	11.420242	11.420242	41.564591	0.267020	0.004138	6.529164	23.886343
Actual	2008	11.028563	11.028563	43.821752	0.179433	0.005517	7.575481	25.402658
Forecast	2009	10.494000	10.494000	43.040624	0.057589	0.005517	7.878792	24.949832
Forecast	2010	11.244000	11.244000	44.243479	0.032478	0.005517	7.728213	25.647104
Forecast	2011	11.921000	11.921000	45.477625	0.095556	0.005517	7.762852	26.362515

Total Profits = Sales + Interest + Other - Operating - Prizes
GF Profits = Total Profits

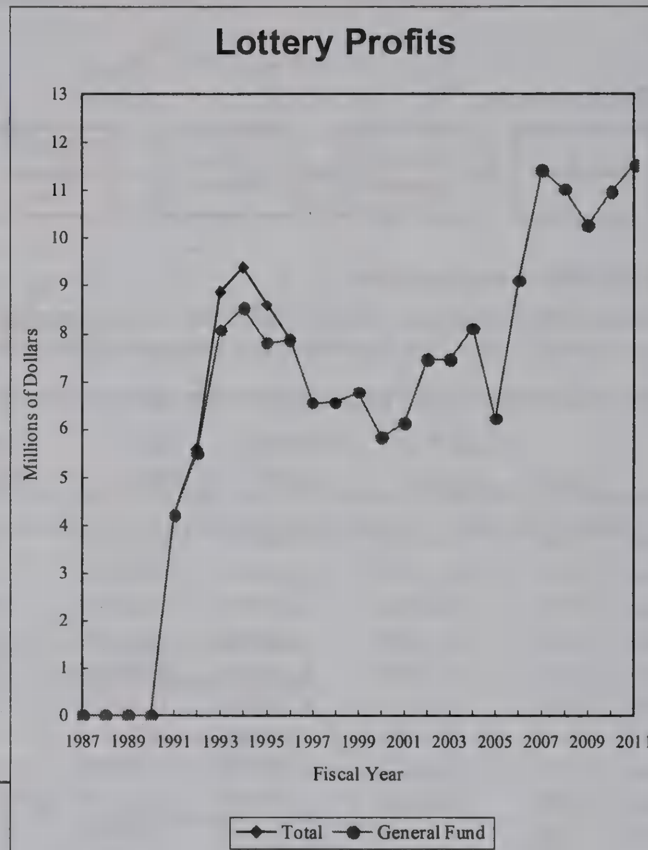
Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	4.200337	4.200337	Not App.
A	1992	5.582834	5.493509	30.79%
A	1993	8.868627	8.061582	46.75%
A	1994	9.377235	8.523907	5.73%
A	1995	8.594013	7.811958	-8.35%
A	1996	7.858821	7.858821	0.60%
A	1997	6.553475	6.553475	-16.61%
A	1998	6.564337	6.564337	0.17%
A	1999	6.779658	6.779658	3.28%
A	2000	5.840985	5.840985	-13.85%
A	2001	6.137493	6.137493	5.08%
A	2002	7.467030	7.467030	21.66%
A	2003	7.453281	7.453281	-0.18%
A	2004	8.115602	8.115602	8.89%
A	2005	6.222555	6.222555	-23.33%
A	2006	9.110455	9.110455	46.41%
A	2007	11.420242	11.420242	25.35%
A	2008	11.028563	11.028563	-3.43%
F	2009	10.275000	10.275000	-6.83%
F	2010	10.969000	10.969000	6.75%
F	2011	11.517000	11.517000	5.00%



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Revenue Description: The tobacco tax is an excise tax on tobacco products sold in Montana. Cigarettes are not subject to the tobacco tax. The tax is considered a direct tax on retail consumers, but is collected by the wholesaler. Tobacco products shipped from Montana and destined for retail sale and consumption outside the state are not subject to the tax.

Beginning May 1, 2003, the Fifty-eighth Legislature passed SB 407 that doubled the tax on all tobacco products other than cigarettes and moist snuff from 12.5 percent to 25.0 percent of the wholesale price. Furthermore, moist snuff is now taxed individually, increasing the rate from the equivalent of $0.28 an ounce to $0.35 an ounce. Beginning January 1, 2005, the electorate approved I-149 that raised the tax on other tobacco products to 50 percent of the wholesale price and moist snuff to $0.85 per ounce. Wholesalers are allowed a discount of 2.5 percent, until January 1, 2005 when the discount will be reduced to 1.5 percent, to cover collection and administrative expenses. The wholesaler is entitled to a refund for tobacco products that remain unsold. I-149 adjusted distributions to allow half of the tax revenues to flow into the state general fund and half to flow into a new state special revenue fund for health and Medicaid initiatives.

The state has tobacco revenue sharing agreements with five tribes in Montana. In the agreements with the Blackfeet, Fort Belknap, Fort Peck, Chippewa Cree, and Crow tribes, the state collects the tax imposed by the tribes and distributes the revenue to the tribes on a quarterly basis. Indian consumers of tobacco on other reservations are exempt from paying the tobacco tax.

Statutory Reference:

Tax Rate (MCA) – 16-11-111(7)
Tax Distribution (MCA) – 16-11-114(2), 16-11-119(3)
Date Due (MCA) – 16-11-111(8)

Applicable Tax Rate(s):

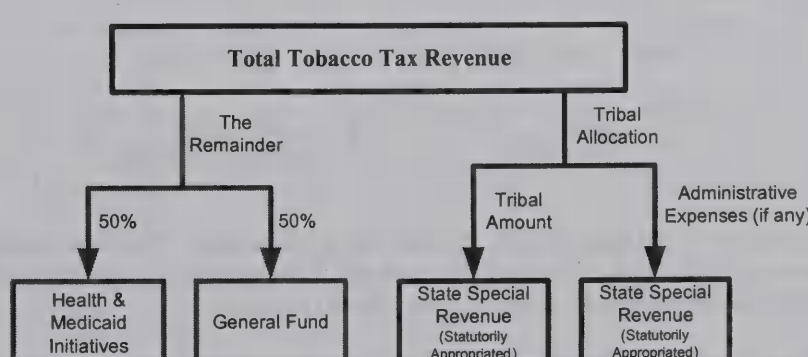
- Tobacco products - 50.0 percent of the wholesale price
- Moist snuff - $0.85 per ounce

Distribution:

After amounts allocated for expenses and tribal distributions:

- 50% to a state special revenue fund to be used of health and Medicaid initiatives
- 50% to the general fund

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.26%
FY 2005 – 0.26%
FY 2006 – 0.26%
FY 2007 – 0.25%
FY 2008 – 0.24%

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Revenue Estimate Methodology:

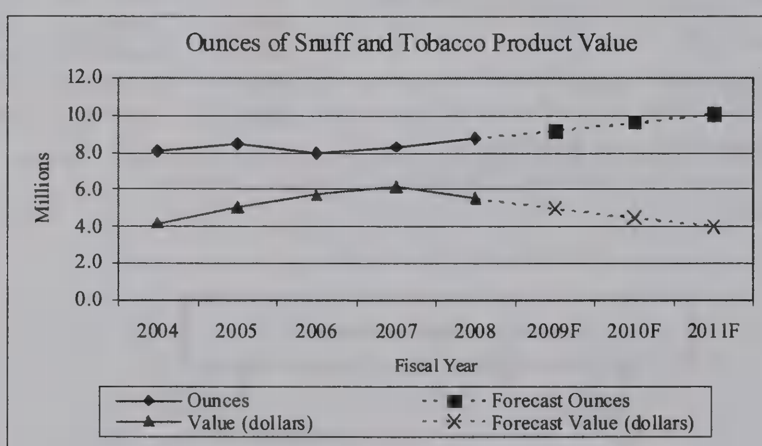
Data

Data are obtained from the state accounting system (SABHRS), the Department of Revenue (DOR), U.S. Census Bureau, and Global Insight is used to forecast tobacco tax revenues. The tobacco tax is made up of two taxes on the consumption of tobacco products. The tax on snuff (most tobacco) is assessed on the number of ounces sold, and the tax on all other tobacco products (not including cigarettes) is assessed on the wholesale value of the product. The DOR provides information, by distributor and month, on the number of ounces of snuff and the value of the tobacco products sold in each month and the records of tribal distributions. Other data provided by DOR include the amount of discounts and credits given to tobacco distributors. Historic observations of tax collections are available through SABHRS, projections for Montana population greater than or equal to 21 years of age are supplied by the Census Bureau, and Global Insight supplies projections of the consumer price index (CPI).

DOR provides monthly data on the sales of snuff, in ounces, and the wholesale value of the sales of other tobacco products purchased in Montana. To prepare the data for analysis, the monthly data is summed across all distributor purchases and over the fiscal years. For the estimate of moist snuff tax, the data is divided by the estimate of the Montana population of ages 21 or greater. The per-capita consumption estimate is then used later to determine the total taxes paid on moist snuff. DOR data includes administrative discounts and credits, provided to the distributors for collecting the tax, which is used later in the process. The actual SABHRS data serves as a comparative check against the collection data provided by the DOR.

Analysis

For the first full year in fiscal 2004, the tobacco tax assessment distinguished between moist snuff and other tobacco products. In the 58th Legislature, the taxation of moist snuff was changed. A new tax rate is now imposed on the ounces of snuff sold instead of on value, as other tobacco products are taxed. Consequently, the method used to estimate tobacco tax collections was changed to reflect the changes in the law. The figure below shows the number of ounces of moist snuff sold to wholesalers since fiscal 2004 and the projected sales of ounces through the forecast period. Additionally, the figure shows the wholesaler sales and projected sales of other tobacco products over the same period.



Analysis shows that sales of moist snuff and other tobacco products are not consistent. The sales of moist snuff in Montana have increased over time while the sales of other tobacco products have declined. Consequently, the estimate for the tobacco taxes is derived by unique growth factors to the proxy of each moist snuff and other tobacco products.

The forecast for the consumption of moist snuff is obtained by holding per-capita consumption of moist snuff constant and allowing the consumption to grow only as the population grows. The number of ounces of snuff sold in Montana is expected to be 9.2 million in fiscal 2009, 9.6 million in fiscal 2010, and 10.1 million in fiscal 2011.

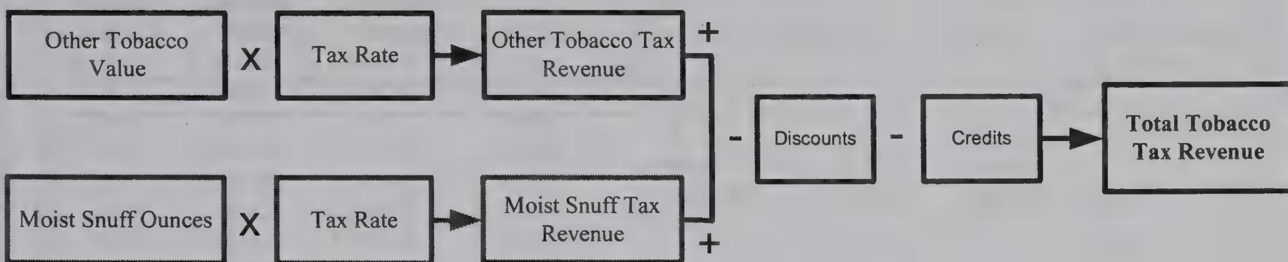
The forecast for the value of other tobacco products sold in Montana is obtained by applying a two year compound rate of growth to the base year beginning in fiscal 2008. The value of the sales of tobacco products is expected to be $4.9 million in fiscal 2009, $4.5 million in fiscal 2010, and $4.0 million in fiscal 2011.

To finish the estimate, the individual tax rates are applied to the consumption/sales forecasts to create a gross tax estimate. This methodology produces gross tax estimates of total tobacco tax collections of $10.4 million in fiscal 2009, $10.6 million in fiscal 2010, and $10.8 million in fiscal 2011.

<u>Adjustment and Distribution</u>

The estimates for gross collections of the tobacco taxes are adjusted for discounts and credits provided to the distributors. Finally, calculations are made for the distribution of the tobacco tax. Tobacco taxes are distributed 50 percent to a state special revenue fund to be used of health and Medicaid initiatives and 50 percent to the general fund. The general fund distribution is then reduced by tribal reimbursements. At this time, five of the seven tribal governments receive tobacco tax dollars: Blackfeet, Fort Belknap, Fort Peck, Chippewa Cree, and Crow. These tribal governments adhere to Montana tobacco tax laws. The state of Montana collects the tribes' portion of the tax and quarterly distributes the collections based on a formula (per capita tobacco products consumption times tribal membership times the Montana tax rate).

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

	Fiscal	Total Tax Millions	GF Tax Millions	Tribal Millions	Other Value Millions	Tax Rate Percent	Snuff Ounces Millions	Tax Rate Per Ounce
Actual	2000	2.042241	2.016799	0.025442	16.337928	12.5000%		
Actual	2001	2.097590	2.047995	0.049595	16.780720	12.5000%		
Actual	2002	2.228525	2.182827	0.045698	17.828200	12.5000%		
Actual	2003	2.360471	2.304532	0.055939	18.883768	12.5000%		
Actual	2004	3.625894	3.561574	0.064320	4.160119	25.0000%	8.079726	0.350000
Actual	2005	6.452428	4.024017	0.087097	4.999756	37.5000%	8.460370	0.600000
Actual	2006	9.118758	4.359968	0.398823	5.696871	50.0000%	7.981529	0.850000
Actual	2007	9.810138	4.669627	0.470885	6.128741	50.0000%	8.304687	0.850000
Actual	2008	9.872434	4.698888	0.474658	5.509016	50.0000%	8.759337	0.850000
Forecast	2009	9.890000	4.710000	0.470000	4.951956	50.0000%	9.160785	0.850000
Forecast	2010	9.953000	4.738000	0.477000	4.424518	50.0000%	9.548258	0.850000
Forecast	2011	10.075000	4.796000	0.483000	3.977120	50.0000%	9.960308	0.850000

	Fiscal	Discount Millions	Credits Millions	GF Allocation Percent
Actual	2000			
Actual	2001			
Actual	2002			
Actual	2003			
Actual	2004	0.096438	0.091947	0.982261
Actual	2005	0.120156	0.097616	0.623644
Actual	2006	0.144491	0.424804	0.478132
Actual	2007	0.152426	0.222095	0.476000
Actual	2008	0.152992	0.218958	0.475960
Forecast	2009	0.153262	0.219344	0.500000
Forecast	2010	0.154243	0.220746	0.500000
Forecast	2011	0.156132	0.223451	0.500000

Total Tax = Snuff Ounces * Tax Rate Per Ounce + Other Value * Tax Rate Percent - Discount - Credit

GF Tax = (Total Tax - Tribal) * GF Allocation

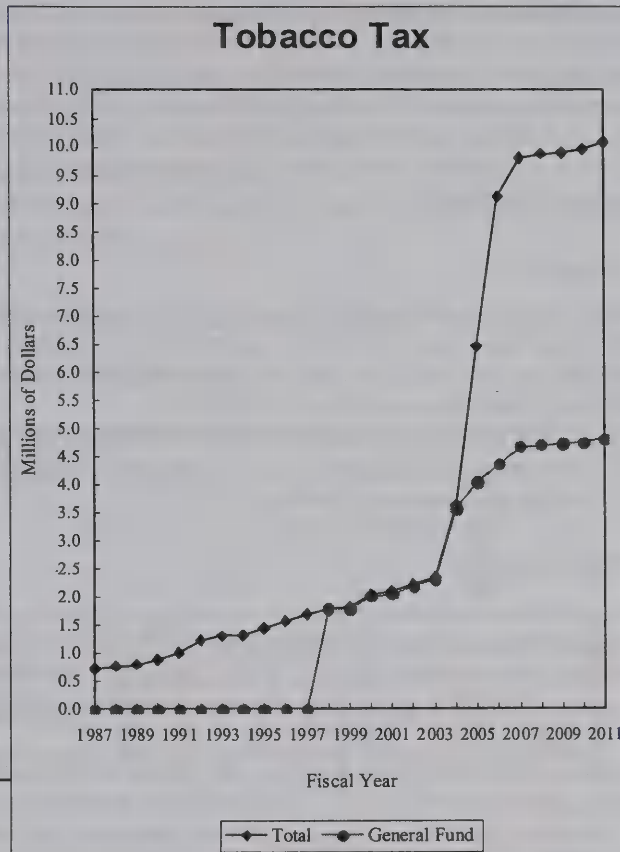
Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.720332	0.000000	Not App.
A	1988	0.773440	0.000000	Not App.
A	1989	0.802615	0.000000	Not App.
A	1990	0.893111	0.000000	Not App.
A	1991	1.006909	0.000000	Not App.
A	1992	1.224587	0.000000	Not App.
A	1993	1.308951	0.000000	Not App.
A	1994	1.328907	0.000000	Not App.
A	1995	1.446101	0.000000	Not App.
A	1996	1.579547	0.000000	Not App.
A	1997	1.702313	0.000000	Not App.
A	1998	1.801084	1.778739	Not App.
A	1999	1.815973	1.791077	0.69%
A	2000	2.042241	2.016799	12.60%
A	2001	2.097590	2.047995	1.55%
A	2002	2.228525	2.182827	6.58%
A	2003	2.360471	2.304532	5.58%
A	2004	3.625894	3.561574	54.55%
A	2005	6.452428	4.024017	12.98%
A	2006	9.118758	4.359968	8.35%
A	2007	9.810138	4.669627	7.10%
A	2008	9.872434	4.698888	0.63%
F	2009	9.890000	4.710000	0.24%
F	2010	9.953000	4.738000	0.59%
F	2011	10.075000	4.796000	1.22%



Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

Revenue Description: Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees that generate revenue. Numerous fees are paid by operators for both video gambling machines and for non-video games such as poker. In addition, persons pay an annual fee for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15.0 percent of the gross income (defined as net of payouts) from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes. All video gambling tax revenue is deposited into the general fund.

Statutory Reference:

Tax Rate (MCA) – route operator license (23-5-129), gambling establishment operator license (23-5-177), card table fee (23-5-306(2)), bingo/keno permit (23-5-407), sports tab tax (23-5-502), video tax (23-5-610(1)), machine permit fee (23-5-612(2))
Tax Distribution (MCA) – card table fee (23-5-306(3&4)), bingo and keno tax (23-5-409), sports tab tax (23-5-502), video (23-5-610(6)), machine permit fee (23-5-612(3))
Date Due – card table fees due annually and distributed quarterly to local governments (23-5-306(1&4)), video tax due 15 and 25 days after the end of the quarter (23-5-610(5)(a&b)), machine permit fees due annually prorated on a quarterly basis (23-5-612(2a)), bingo and keno taxes due July 31.

Applicable Tax Rate(s):

License Fees

- Video Gambling Machine Permit - $220 annually (prorated basis), $25 machine transfer processing fee
- Video Gambling Manufacturer License - $1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application. The manufacture license may be waived by the DOJ if the manufacture is also a licensed distributor or route operator.
- Video Gambling Machine Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Distributor License - $1,000 annually. The distributor license may be waived by the DOJ if the distributor is also a licensed operator or manufacturer. An additional application fee is charged distributors to cover processing costs of the initial application.
- Route Operator License - $1,000 annually. The operator license may be waived by the DOJ if the operator is also a licensed distributor or manufacturer. An additional application fee is charged operators to cover processing costs of the initial application.
- Bingo/Keno Manufacture License - $1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application.
- Gambling Establishment Operator License – An amount equal to the actual DOJ costs of determining licensure qualifications
- Antique Slot Machine Seller Permit - $50 annually
- Live Card Game Table - $250 annually for the first table and $500 for each additional table
- Card Game Dealer License - $75 for the first year, $25 for each subsequent year
- Pinochle Tournament Permit - $25
- Card Room Contractor License - $150 annually
- Bingo/Keno Permit - $250 annually
- Bingo/Keno Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Sports Tab Game Seller License - $100 annually. An additional application fee is charged to cover processing costs of the initial application.
- Casino Night Permit - $25
- Associated Business - $100

Gambling Taxes

- Video – 15.0% of gross income (defined as net of payouts) per video gambling machine
- Bingo/Keno – 1.0% of gross proceeds
- Sport Tabs – $1.00 for each 100 sport tabs sold

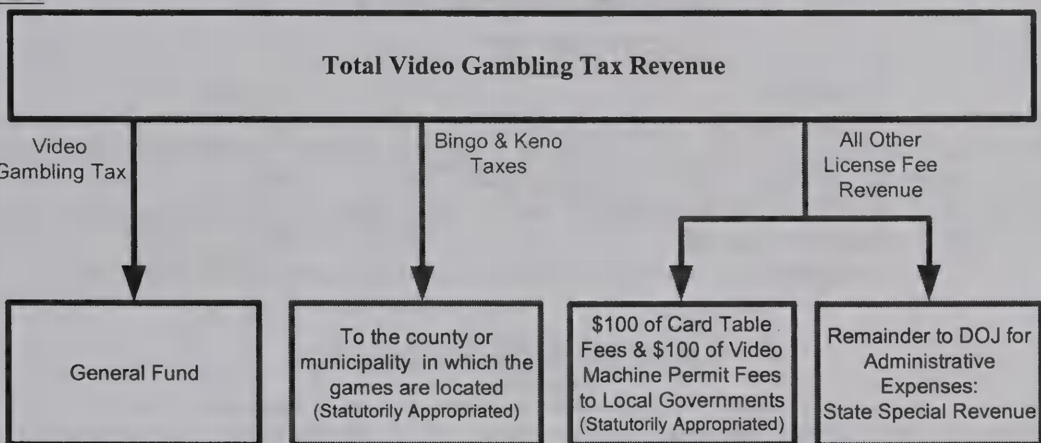
Legislative Fiscal Division
Revenue Estimate Profile
Video Gambling Tax

Distribution:

License Fees
1. $100 of the live card game table fee and $100 of the video gambling machine permit fee (prorated basis) are statutorily appropriated for distribution to local governments.
2. All other license fee revenue is retained by DOJ to cover administrative costs.

Gambling Taxes
1. Video – All of video gambling tax receipts are deposited into the general fund.
2. Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.
3. Sport Tabs – All collections are retained by DOJ for administration purposes.

Distribution Chart:



Summary of Legislative Action:

Senate Bill 86 – The legislation establishes an associated gambling business license of $100 for providers of a product or service to a licensed gambling business. State special revenue increases $400 in FY 2010 and $400 in FY 2011. The legislation is effective on passage and approval.

Video Gambling Tax -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
SB0086 Revise gambling laws			
Total Estimated General Fund Impact	$0	$0	$0

% of Total General Fund Revenue:

FY 2004 - 3.69%
FY 2005 - 3.49%
FY 2006 - 3.35%
FY 2007 - 3.30%
FY 2008 - 3.22%

Revenue Estimate Methodology:

Video gambling revenue is comprised of many components. Because these components have separate distributions, the estimating methodology incorporates separate estimates for the components based on the type of revenue, either tax revenue or permit revenue.

Data

Monthly reports are no longer provided from the Department of Justice. Limited applicable data is available from the department's web site. Historic and current revenue collections are obtained from SABHRS. The Department of Justice provides quarterly statewide net income and average daily income by machine type (poker, keno, and multi-game). Montana population statistics are used to derive per capita video gambling machine gross income.

Legislative Fiscal Division

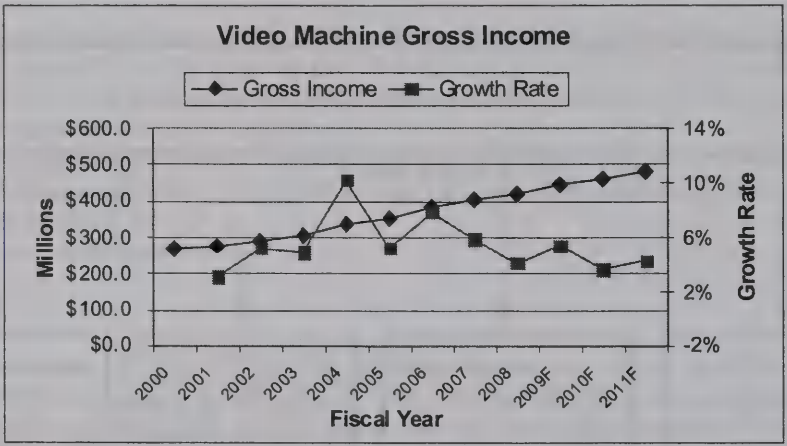
Revenue Estimate Profile

Video Gambling Tax

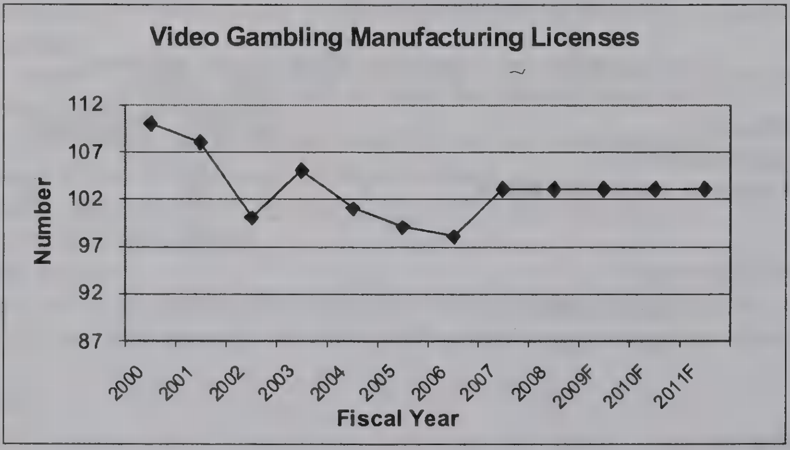
Analysis

The revenue estimate is determined in a three-step process:

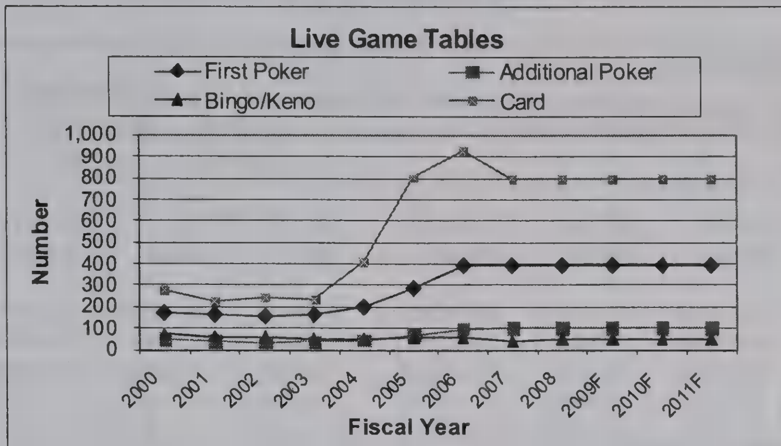
1. Revenue from the tax on video gambling machine gross income (defined as net of payouts) is the largest component of this revenue source and all revenue from this tax is distributed to the general fund. To determine total gross income, gross income for poker, keno, and multiple-game machines are calculated from revenue collections. The amount from the most recently completed fiscal year and the estimates for each succeeding fiscal year are multiplied by a growth factor based on Montana personal income. The growth factor represents the rate of increase of per capita gross revenue between fiscal 1995 and fiscal 2008. Once total gross income is estimated, the revenue estimate for this component is determined by multiplying total gross income by the tax rate. The total gross income and growth rates are shown in the chart below.



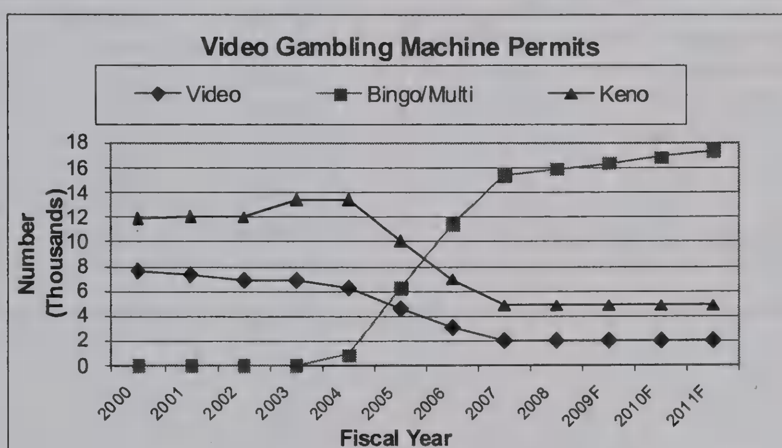
2. Permit and license fees are the second component to this revenue source, the revenue from which is deposited to the state special revenue fund and distributed to the Department of Justice to pay administrative costs and to local governments. There are three separate estimates for permit and license fees:
   a. Video gambling manufacturing license – The number of licenses from the last known fiscal year (2007) is multiplied by the $1,000 license fee and the product used as the estimate for all subsequent fiscal years.



   b. Live game permit/license fees – The estimated numbers of "first" poker tables, "additional" poker tables, bingo/keno, and card game tables are those from the last known fiscal year (2007). The numbers are multiplied by the applicable fees of $250, $500, $250, and $75 respectively, and the product used for all subsequent fiscal years for each type.



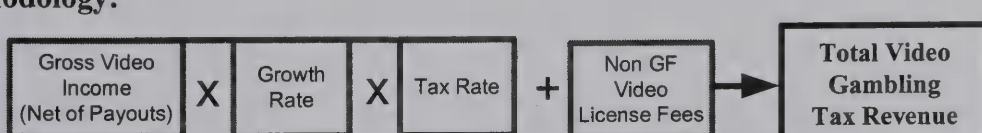
c. Video gambling machine permit fees – The numbers of video, bingo/multi game, and keno machine permits for the last known fiscal year (2007) are summed. The sum is multiplied by the ratio of the amount of revenue deposited to DOJ gambling license account to the total amount of permit fee revenue for the last known fiscal year (this ratio is less than 1 and so reduces the total machine permit fees). This is done to adjust for discrepancies in the last known fiscal year between actual collections and totals derived by multiplying number of permits by the applicable permit/license fee. Once the total adjusted number of permits has been estimated, it is multiplied by the $220 fee.



3. Bingo and keno taxes – The total amount of revenue received in the last known fiscal year is carried forward for all subsequent fiscal years.

<u>Adjustments and Distribution</u>
Since the general fund and the state special revenue component are estimated under separate methodologies, the distribution of the revenue has already been done.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

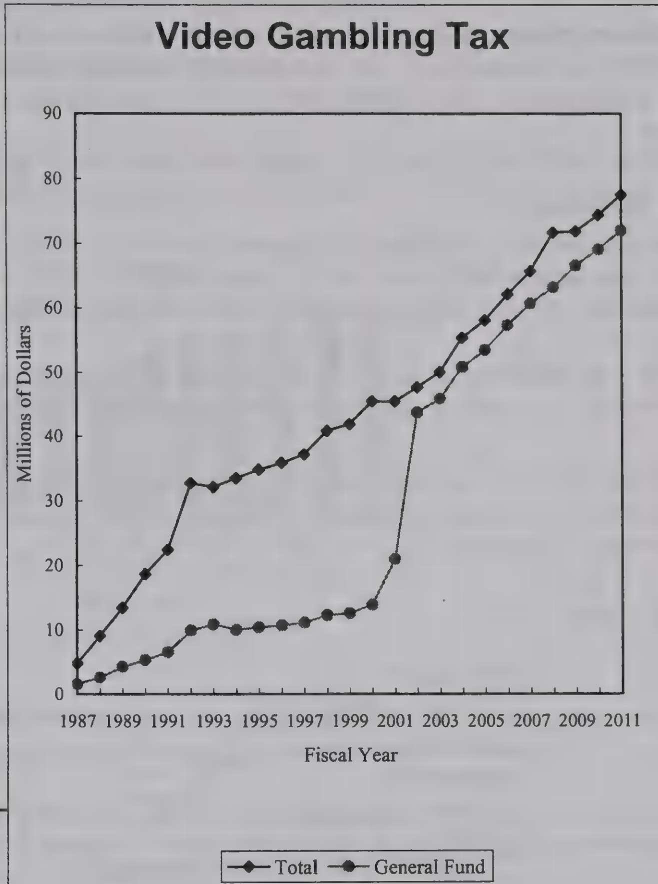
	t Fiscal	Total Tax Millions	GF Tax Millions	Net Income Millions	Tax Rate	Net Income Tax Millions	Non GF Fee Millions	Surtax Millions
Actual	2000	45.426465	13.850821	268.285033	0.150000	41.431382	3.995083	
Actual	2001	45.427406	20.891449	276.680087	0.150000	41.502013	3.925393	
Actual	2002	47.597125	43.666145	291.123027	0.150000	43.668454	3.928671	
Actual	2003	49.942010	45.794025	305.442527	0.150000	45.816379	4.125631	
Actual	2004	55.323853	50.748949	336.637647	0.150000	50.768922	4.554931	0.273275
Actual	2005	58.038258	53.361007	354.176273	0.150000	53.400781	4.637477	0.274340
Actual	2006	62.128935	57.277216	381.981440	0.150000	57.297216	4.831719	0.000000
Actual	2007	65.684155	60.641063	404.274320	0.150000	60.641148	5.043007	0.000000
Actual	2008	71.606752	63.134000	420.985420	0.150000	63.147813	8.458939	0.000000
Forecast	2009	71.809000	66.554000	443.698330	0.150000	66.554000	5.255000	0.000000
Forecast	2010	74.363000	69.003000	460.021634	0.150000	69.003000	5.360000	0.000000
Forecast	2011	77.440000	71.973000	479.820255	0.150000	71.973000	5.467000	0.000000

Total Tax = Net Income * Tax Rate + Non GF Fee + Surtax
GF Tax = Net Income * Tax Rate

Video Gambling Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	4.787747	1.516279	Not App.
A	1988	9.046068	2.561170	68.91%
A	1989	13.375319	4.249364	65.91%
A	1990	18.625011	5.302840	24.79%
A	1991	22.349233	6.551179	23.54%
A	1992	32.680802	9.875213	50.74%
A	1993	32.058946	10.818364	9.55%
A	1994	33.453057	9.955424	-7.98%
A	1995	34.741154	10.346068	3.92%
A	1996	35.846067	10.666089	3.09%
A	1997	37.132691	11.073315	3.82%
A	1998	40.799673	12.256082	10.68%
A	1999	41.837753	12.559098	2.47%
A	2000	45.426465	13.850821	10.29%
A	2001	45.427406	20.891449	50.83%
A	2002	47.597125	43.666145	109.01%
A	2003	49.942010	45.794025	4.87%
A	2004	55.323853	50.748949	10.82%
A	2005	58.038258	53.361007	5.15%
A	2006	62.128935	57.277216	7.34%
A	2007	65.684155	60.641063	5.87%
A	2008	71.606752	63.134000	4.11%
F	2009	71.809000	66.554000	5.42%
F	2010	74.363000	69.003000	3.68%
F	2011	77.440000	71.973000	4.30%



Legislative Fiscal Division

Revenue Estimate Profile

Wine Tax

Revenue Description: A wine tax is levied on table wines imported into Montana by wine distributors or by the Department of Revenue (DOR), who is authorized to sell wines to retail liquor establishments throughout the state. A tax is also imposed on hard cider imported by a table wine distributor or DOR. A portion of wine tax revenue is returned to Indian tribes per an agreement between DOR and the tribes.

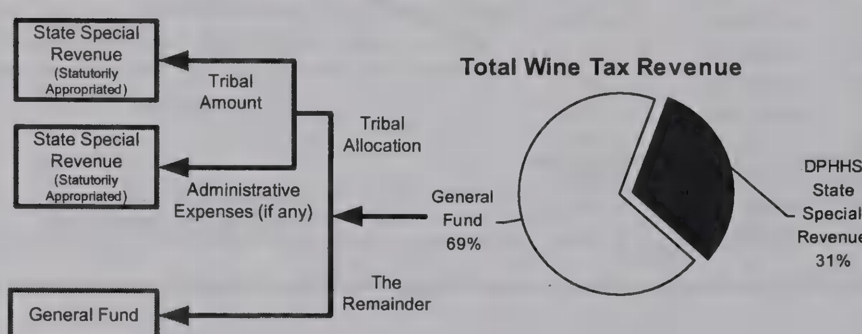
Statutory Reference:

Tax Rate (MCA) – 16-1-411(1), 16-2-301(2)
Tax Distribution (MCA) – 16-1-411(3), 16-2-301(2)
Date Due – 15th day of the month following the sale from the distributor's warehouse (16-1-411(2))

Applicable Tax Rate(s): A tax of $0.27 is imposed per liter of wine and a tax of $0.037 per liter is imposed on hard cider. An additional tax of $0.01 per liter is imposed on table wine sold by a table wine distributor to an agent.

Distribution: The $0.01 per liter tax is deposited into the general fund. After expenses and tribal allocations, other wine tax revenue is distributed 69.0% to the general fund and 31.0% to the DPHHS alcohol account. The general fund distribution is reduced by the amount of the tribal agreements.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.10%
FY 2005 – 0.10%
FY 2006 – 0.10%
FY 2007 – 0.10%
FY 2008 – 0.09%

Revenue Estimate Methodology:

Data

The state accounting system (SABHRS) and the Department of Revenue (DOR) provide data for the wine tax estimates. The SABHRS data includes total fiscal year tax collection data. The DOR data provides the information related to historic tribal distributions.

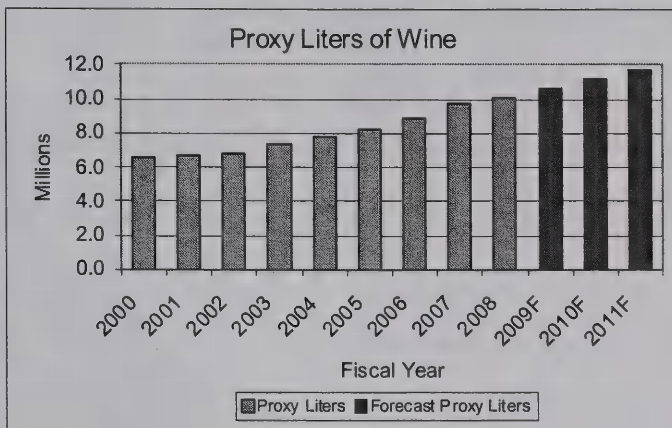
Wine tax collections are made up of the collections of two taxes, the wine tax and the hard cider tax. Although each tax is individually established in statute, no distinction between the taxes is made when preparing the estimates. In the past several years, the cider tax has contributed no more than 0.09 percent of the total wine tax collections. In the future, if cider tax collections become more significant the wine tax methodology will be adapted to forecast hard cider tax.

Only one data transformation is required to forecast the future collections of the wine tax. Because wine projections are based on the

number of liters of wine consumed in Montana, the data obtained through SABHRS must be used. This task is accomplished by dividing the total tax receipts by the wine tax rate, producing a proxy number of liters of wine.

The total tax receipts include those taxes that will be distributed to tribal governments.

<u>Analysis</u>
Growth in wine tax collections, measured in liters of wine, has followed a consistent upward trend through time. The trend is apparent in the figure below. Consequently, liters of wine are forecast using a linear regression model.



The model provides a good fit as shown by a R^2 rating of 0.991. This measure means that 99.1 percent of the variability in the change in liters of wine consumed in Montana can be explained by the passage of time, holding all other impacts constant.*

The model predicts that each year the consumption of wine in Montana will increase by approximately 5.5 percent, holding all other impacts constant. The growth rate developed in the model is then applied to the most recent actual wine consumption data available or base year fiscal 2006. Total wine consumption is expected to be 10.6 million liters in fiscal 2009, 11.2 million liters in fiscal 2010, and 11.7 million liters in fiscal 2011. Finally, the tax rate is applied to the estimate of proxy liters to determine the total expected wine tax collections, which results in estimates of $2.9 million, $ 3.0 million, and $3.2 million for fiscal years 2009 through 2011, respectively.

<u>Adjustment and Distribution</u>
The last step in producing the estimate of the wine tax collections is to calculate the tax distributions. The wine taxes are distributed between two funds. The general fund receives 69 percent and the Department of Health and Human Services alcohol state special revenue account receives 31 percent. The general fund distribution is reduced by tribal reimbursements. At this time, three of the seven tribal governments receive wine tax dollars, Blackfeet, Fort Belknap, and Fort Peck. These tribal governments adhere to Montana wine tax laws. The state of Montana collects the tribes' portion of the tax, and quarterly distributes the collections based on a formula (per capita wine consumption times tribal membership times the Montana tax rate).

*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

Forecast Methodology:

Liters of Wine X Tax Rate per Liter → **Total Wine Tax Revenue**

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

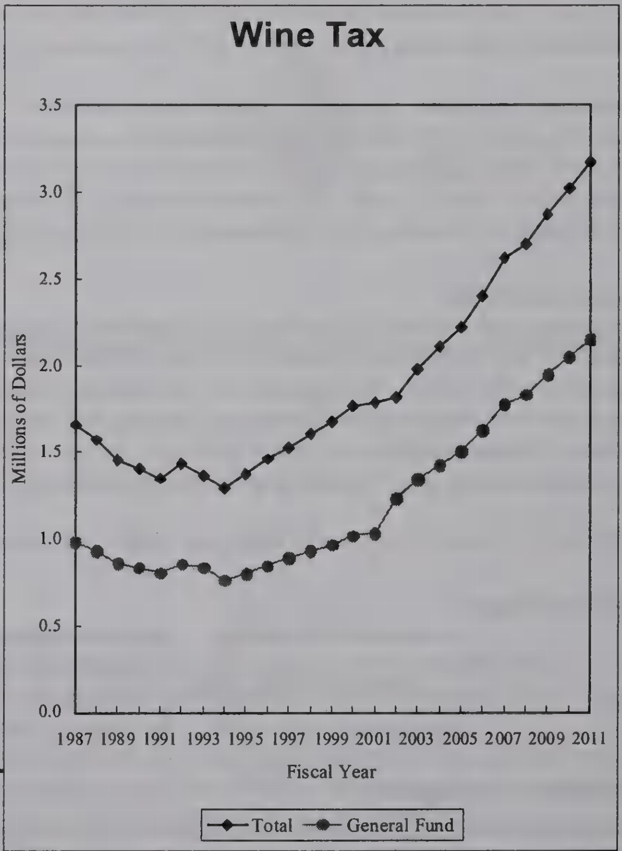
Wine Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	Liters Millions	Tax Rate $ Per Liter	Gf Allocation Percent	Tribal Millions
Actual	2000	1.767653	1.016538	6.546863	0.270000	0.590200	0.026730
Actual	2001	1.786403	1.032812	6.616307	0.270000	0.590257	0.021624
Actual	2002	1.815798	1.231862	6.725178	0.270000	0.690186	0.021376
Actual	2003	1.976257	1.339799	7.319470	0.270000	0.690196	0.024205
Actual	2004	2.104357	1.423463	7.793915	0.270000	0.690253	0.029075
Actual	2005	2.217968	1.502601	8.214696	0.270000	0.690319	0.028505
Actual	2006	2.397695	1.623980	8.880352	0.270000	0.690329	0.031219
Actual	2007	2.619912	1.774838	9.703378	0.270000	0.690325	0.033752
Actual	2008	2.701397	1.829311	10.005174	0.270000	0.690329	0.035542
Forecast	2009	2.867000	1.942000	10.619486	0.270000	0.690000	0.036000
Forecast	2010	3.018000	2.043000	11.179995	0.270000	0.690000	0.039000
Forecast	2011	3.169000	2.146000	11.740503	0.270000	0.690000	0.041000

Total Tax = Liters * Tax Rate
GF Tax = Liters * Tax Rate * GF Allocation - Tribal

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	1.657783	0.982402	Not App.
A	1988	1.569139	0.929861	-5.35%
A	1989	1.453980	0.861618	-7.34%
A	1990	1.404764	0.832453	-3.38%
A	1991	1.346598	0.805117	-3.28%
A	1992	1.433011	0.853172	5.97%
A	1993	1.360770	0.834702	-2.16%
A	1994	1.289013	0.763752	-8.50%
A	1995	1.374297	0.800700	4.84%
A	1996	1.459901	0.845538	5.60%
A	1997	1.525376	0.887340	4.94%
A	1998	1.604299	0.930426	4.86%
A	1999	1.676561	0.964974	3.71%
A	2000	1.767653	1.016538	5.34%
A	2001	1.786403	1.032812	1.60%
A	2002	1.815798	1.231862	19.27%
A	2003	1.976257	1.339799	8.76%
A	2004	2.104357	1.423463	6.24%
A	2005	2.217968	1.502601	5.56%
A	2006	2.397695	1.623980	8.08%
A	2007	2.619912	1.774838	9.29%
A	2008	2.701397	1.829311	3.07%
F	2009	2.867000	1.942000	6.16%
F	2010	3.018000	2.043000	5.20%
F	2011	3.169000	2.146000	5.04%



Property Taxes

Property Tax
55 Mill Property Tax
40 Mill Property Tax
6 Mill Property Tax
1.5 Mill Property Tax

www.leg.mt.gov/css/fiscal

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Revenue Description: Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills, and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. The last reappraisal cycle took effect January 1, 2003 and the next reappraisal will take effect January 1, 2009.

Beginning January 1, 2009, residential and commercial property as well as agricultural land and timberland reflect the impact of a new reappraisal on market values. The current reappraisal cycle is 6 years, during which increases in property values will be phased in by 1/6th per year. Property that declines in value will be assessed immediately at its new reappraised value. The impact of the 2009 reappraisal on assessed values increased the market value of the average residence by 55.1 percent. The equivalent increases for commercial property were 34.5 percent, for agricultural land by 26.8 percent, and for timberland by 51.7 percent.

The 2009 Legislature passed a reappraisal mitigation bill – HB 658. Beginning in tax year 2009, reappraisal values will be phased in over the next six years. The new tax rates and the new homestead and comstead exemptions are shown in the accompanying table. In addition to mitigation through lower tax rates and higher exemptions, HB 658 also: 1) created an upper limit of $1.5 million in market value of residences for which the homestead exemption is available, 2) increased the irrigation costs in valuing irrigated agricultural land, and 3 increased the capitalization rate used to value timberland. In addition the Department of Revenue will report to the Revenue and Transportation Interim committee before the next legislative session on a sales- assessment ratio study it will conduct in the interim. HB 658 also changed MCA 15-10-420 so that each state mill would be reduced and rounded up to the nearest tenth of a mill if the growth in taxable value exclusive of new property exceeds one-half the rate of inflation. Newly taxable property was also redefined as current year value less prior year value.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

This source also includes the state's share of protested taxes paid by centrally assessed companies. Should the state fail in it defense of the taxation of these companies, the protested taxes must be returned to the taxpayer.

Homeowners whose homesteads have increased above certain thresholds and whose income falls below certain levels will face lower tax rates. These programs are known as taxpayer assistance programs.

Summary of Legislative Action:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 95-mill property tax is reduced $58,623 in FY 2010 and $61,537 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 588 – The legislation retains present law relative distributions of coal gross proceeds between the state and coal producing counties, but counties now remit the present law state share of coal gross proceeds revenue directly to the state. The state special revenue coal gross proceeds redistribution account is eliminated along with the calculation of coal gross proceeds county redistributions

and the statutory appropriation for the redistribution transfers. State special revenue to the state is reduced $461,295 in FY 2010, $514,289 in FY 2011, and $807,000 in future years. Transfers to counties are reduced by like amounts. The legislation is effective July 1, 2009 and applies retroactively to coal produced and sold after December 31, 2007.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

	Full Assessed or Market Value			
Type of Property	**2003 Reappraisal**	**2009 Reappraisal**	**Difference in Value**	**Percent Change**
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 95 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $3,320,276 in FY 2011 and $2,757,915 in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Table 4 - Additional Feature of HB 658

Timberland Capitalization Rate	Sales Assessment Ratio Study	Cap Homestead Exemption	Change 15-10-420
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill
			Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable
Extended Property Tax Assistance Program			
Property Tax Assistance Program, Application extended to July 15th, 2009			
Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009			

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 115 – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $1,789 in FY 2010 and $1,789 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

<u>Senate Bill 280</u> – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $23,338 in FY 2010 and $24,498 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

<u>Senate Bill 465</u> – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property;

clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $89,816 in FY 2010 and $44,908 in FY 2011 and beyond. The legislation is effective on passage and approval is retroactive to tax year 2008.

Senate Bill 489 – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $3,607,991 in FY 2010 and $3,813,647 in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,863 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 509 – Beginning with coal mined after June 30, 2009, the legislation provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purpose of calculating the coal taxes. The redefinition of contract sales price in SB 509 terminates July 1, 2017. The bill is not expected to impact coal gross proceeds taxes and, therefore, there is no impact on property tax revenue. The legislation is effective on passage and approval and applies to coal mined after June 30, 2009.

Senate Bill 510 – The legislation allows a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes for production from a new or expanding underground coal mine for a period of five years. Production from an expanding underground coal mine is defined as "that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement." The abatement applies to all jurisdictions in which the mine is located except the state. The abatement may be extended for one additional five year period. There is no impact on state property tax revenue. The legislation is effective is October 1, 2009 and applies to tax years beginning after December 31, 2009.

Revenue Estimate Methodology:

Data

The property tax received by the state is composed of two kinds of revenue. First there is property tax proper, i.e. each property has a taxable value which is multiplied by a mill levy (a tax rate per thousand dollars of taxable value) set by the government, in this case the state. The second kind of revenue is "nonlevy" revenue that is distributed to the mill levy and is included as property tax revenue.

The state imposes five types of mill levies. These are the 33-mill elementary county equalization levy, the 22-mill high school county equalization levy, the 40-mill state equalization levy, the 6-mill university levy, and the 1.5-mill vocational technical college (vo-tech) levy. The first three (most often called the 95 mills for education) are applied to all property in the state and are deposited in the general fund. The 6-mill levy is applied to all property in the state and is deposited in a special account for university operations. The 1.5-mill

levy is applied to all property in the counties in which the five vo-tech colleges are located, i.e. Butte-Silver Bow, Cascade, Yellowstone, Missoula, and Lewis and Clark.

The data required to produce forecasts of property tax received by the state are historical data on assessed and taxable value by class of property, the amount of property in tax increment financing (TIF) districts, the amount of local abatements conferred by local governments, and future growth rates for these variables. Also required is historical and future data on the nonlevy components of property tax. These are gross proceeds revenue, federal forest revenue, and miscellaneous revenue allocated to the various state mill levies. The latest taxable value data is for tax year 2008 which began January 1, 2008, and the latest data for the nonlevy revenue is fiscal 2008.

The historical data on assessed and taxable value by property tax class, TIF taxable value, and abated taxable value are provided to the LFD and OBPP by the Department of Revenue on an annual basis, usually in October. TIF taxable value is required because state law allows a TIF district to apply the state 95 mills and 1.5 vo-tech mills to the increment in property value that occurred since the TIF was created, but allows the TIF district to keep the revenue associated with these mill levies. The state does not receive its share of the mill levies applied to incremental TIF property. Thus the taxable value of the state must be adjusted downward by the value of TIF property for the 95 mills and the 1.5-mill levy. The 6-mill levy revenue derived from incremental TIF property does flow to the special account for university operations, and thus the tax base for the 6-mill levy is not adjusted for the incremental taxable value in a TIF.

Montana law allows local governments (usually counties) to temporarily reduce the tax rate applied to the assessed value of property. This is called abated property. For instance, in tax year 2006, an electrical generation plant outside Hardin and another in Silver Bow County were granted a 10 year exemption on all personal and real estate property. The abatement applies to all local mills for those jurisdictions in which the properties are located. However, the exemption from property taxes does not apply to state mills. The taxable value data received by the department does not include the exempted property and thus for state property tax revenue purposes this property must be added back to the statewide taxable value.

Analysis

The latest year for which taxable value by class is available is the base from which future taxable values are derived. Growth rates are applied to the taxable value in each class of property. The table below shows growth rates for each class of property, for TIF and abated values and the resulting growth rates in net taxable value.

Statewide Taxable Values by Class

	Taxable Value (Millions)			Growth Rates		
	Fiscal Year					
Class of Property	2009	2010	2011	2009	2010	2011
Net Proceeds	$ 4.01	$ 4.01	4.01	4.5%	0.0%	0.0%
Gross Proceeds	24.54	56.31	25.21	30.2%	129.5%	-55.2%
Agricultural Land	142.10	142.10	142.10	0.5%	0.0%	0.0%
Residential and Commercial Real Estate	1,296.59	1,341.98	1,388.94	4.2%	3.5%	3.5%
Rural Coops and Pollution Control	35.15	35.86	36.57	-0.7%	2.0%	2.0%
Non-Centrally Assessed Public Utilities	1.21	1.24	1.27	10.8%	2.4%	2.4%
Business Equipment	151.32	158.84	166.73	9.1%	5.0%	5.0%
Centrally Assessed Public Utilities	260.19	274.91	290.45	-1.6%	5.7%	5.7%
Timberland	6.82	6.82	6.82	-0.1%	0.0%	0.0%
Railroad and Airline Property	43.57	43.62	43.52	1.3%	0.1%	-0.2%
Electrical Generating and Telecommunications	154.61	162.41	170.60	1.1%	5.0%	5.0%
Electrical Generation by Wind	2.94	3.18	3.43	13.7%	8.0%	8.0%
C02/Qualifying Liquid Pipeline	-	-	-	NA	NA	NA
High Voltage DC Converter	-	-	-	NA	NA	NA
Total Taxable Value	2,123.06	2,231.26	2,279.66	3.0%	5.1%	2.2%
Tax Increment Financing Values	(25.75)	(24.82)	(24.74)	-14.5%	-3.6%	-0.3%
Abatement Values	20.02	20.02	20.02	10.6%	0.0%	0.0%
Net Taxable Value	2,117.33	2,226.46	2,274.94	3.7%	5.2%	2.2%
Net Vo-tech Value	743.92	774.68	798.99	4.9%	4.1%	3.1%
Net 6 mill Taxable Value	2,143.08	2,251.28	2,299.68	3.1%	5.0%	2.1%

Fiscal 2009 taxable values are tax year 2008 taxable values. The property was valued on January 1, 2008, and the revenue from these values is deposited in state coffers in November and May of the following fiscal year. Fiscal 2009 values are known, although preliminary.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

For the most part, growth rates are based on historical growth since fiscal 2001 and on expected changes in tax rates in fiscal 2010 and 2011.

The growth rate for class 4 – residential and commercial real estate – is an estimate of the amount of new property expected to be added but does not contain an estimate of the effects of the new reappraisal for fiscal years 2010 and 2011. The amount of new class 4 property is assumed to be 3.5 percent, the average since 2000. The increase in the market value of class 4 property as a result of reappraisal is not yet known although the Department of Revenue has provided very preliminary estimates. In approving the forecast for property tax, the Revenue and Transportation Interim Committee on November 18th declined to recognize the preliminary estimated impacts of reappraisal on agricultural land, timberland, and residential and commercial real property.

Almost all classes of property will experience constant tax rates through 2011. An exception is railroad and airline property. Under the federal 4R act, the tax rate on railroads and airlines is a weighted average of the tax rates of all commercial and industrial property in the state. This includes business equipment, centrally assessed property and commercial real estate.

Tax Rates and Exemptions By Property Tax Class			
	Tax Rates Fiscal Year		
Class of Property	2009	2010	2011
Net Proceeds	100.00%	100.00%	100.00%
Gross Proceeds	3.00%	3.00%	3.00%
Agricultural Land	3.01%	3.01%	3.01%
Residential & Commercial Real Estate	3.01%	3.01%	3.01%
Rural Coops and Pollution Control	3.00%	3.00%	3.00%
Non-Centrally Assessed Public Utilities	3.00%	3.00%	3.00%
Business Equipment	3.00%	3.00%	3.00%
Centrally Assessed Public Utilities	12.00%	12.00%	12.00%
Timberland	0.35%	0.35%	0.35%
Railroad and Airline Property	3.44%	3.42%	3.40%
Electrical Generating and Telecommunications	6.00%	6.00%	6.00%
Electrical Generation by Wind	3.00%	3.00%	3.00%
C02/Qualifying Liquid Pipeline	3.00%	3.00%	3.00%
High Voltage DC Converter	2.25%	2.25%	2.25%
	Exemptions		
Homestead Exemption for Residential Property	34.0%	34.0%	34.0%

The growth in net proceeds and gross proceeds taxable value is based on the projected growth in the mineral values. Net proceeds growth is based on the growth in taxable value of metals as derived from the metal mines tax base. Gross proceeds growth is based on growth rate for miscellaneous metals tax base.

There are two new classes of property that have been added to the property tax base beginning in FY 2009. These are class 15, property associated with carbon sequestration, and class 16, property associated with the Montana-Alberta Transmission line. Neither of these properties is expected to be complete before the end of FY 2011.

The following table shows the projected property tax revenue from the property tax base and nonlevy revenue.

Property Tax Revenue in General Fund and University Account			
General Fund Property Tax Revenue	FY 2009	FY 2010	FY 2011
95 mill Revenue	$ 201.15	$ 211.51	$ 216.12
1.5 Mill Revenue	1.12	1.16	1.20
Property Tax in the General Fund	$ 202.26	$ 212.68	$ 217.32
Nonlevy Revenue associated with 95 mills	$ 13.04	$ 15.27	$ 14.61
Protested Taxes - 95 mills and 1.5 mills	(0.69)	(1.57)	(1.57)
Net Property Taxes in General Fund	$ 214.61	$ 226.38	$ 230.36
Percent Growth	4.7%	5.5%	1.8%
6 mills Property Tax Revenue (University Account)	$ 12.86	$ 13.51	$ 13.80
Nonlevy Revenue associated with 6 mills	0.84	1.21	1.19
Protested Taxes - 6 mills	(0.04)	(0.10)	(0.10)
Net Property Taxes in University Account	$ 13.66	$ 14.62	$ 14.88

Once net taxable values are determined, the mill levies are applied. To this is added forecasts of nonlevy revenue. Nonlevy revenues come from coal gross proceeds, federal forest receipts and miscellaneous revenue (interest on investments, penalty and interest on delinquent taxes, etc). The tax on the gross proceeds for coal is 5 percent of gross value and is estimated in conjunction with the coal severance tax. Of this total, 41.3 percent is distributed to the elementary and high school county equalization levies.

Federal forest receipts are receipts from the federal government in lieu of revenues from the sale of forest products on federal land. By state law, two-thirds of this revenue is distributed to the county road fund in the counties with federal forestland and the remaining one-third is distributed to the county equalization mills and the county retirement and transportation mills. The share distributed to the 55 mills is the proportion that 55 mills is to all countywide mills in the prior year. This is assumed constant over the forecast period. The proportion that the 55 mills is to all countywide mills is multiplied times 1/3 of the federal forest receipts. The previous formula for distributing federal forest payments to counties was sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25-percent payments made to each eligible State for each eligible

county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20 percent but at least 15 percent must be used by county governments for projects on federal lands. The amount of federal forest receipts in total is expected to be around 2.5 times greater than the amount available previously. Thus the amount distributed to the 55 mills will also increase substantially.

Miscellaneous receipts distributed to the 95 mills are such things as investment earnings, tax title sales, and penalties and interest on delinquent taxes. In fiscal 2007, the latest year for which data are available, miscellaneous nonlevy revenue was $1.5 million, which is expected to remain constant in the future.

Once property tax revenue adjusted for nonlevy revenue is determined, one more adjustment is made. This adjustment is for centrally assessed protested taxes. In fiscal 2008, companies such as Northwestern Energy, Puget Sound and Energy, PacificCorp, Verizon, Qwest, and Omimex protested a portion of their property taxes. Under state law, half of the protested taxes from these companies is deposited in a special account and half in the general fund. It is expected that $3.1 million will be deposited in the special account each of the next three years on behalf of the 95 mills and an additional $190,000 on behalf of the six mills.

Property tax revenue in the general fund is expected to increase at a rate greater than in the recent past mainly due to reappraisal. The legislature may accept this revenue by doing nothing, or may reduce this revenue by applying mitigation strategies yet to be determined.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

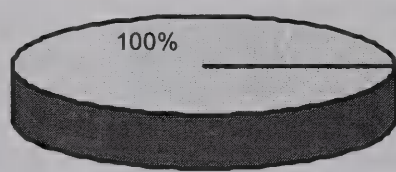
Statutory Reference:

Tax Rate (MCA) – 20-9-331(1), 20-9-333(1)
Tax Distribution (MCA) – 20-9-331(1), 20-9-333(1)
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every $1,000 in taxable value, 55 mills generate $55 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Distribution Chart:



Summary of Legislative Action:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 55-mill property tax is reduced $33,751 in FY 2010 and $35,429 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 588 – The legislation retains present law relative distributions of coal gross proceeds between the state and coal producing counties, but counties now remit the present law state share of coal gross proceeds revenue directly to the state. The state special revenue coal gross proceeds redistribution account is eliminated along with the calculation of coal gross proceeds county redistributions and the statutory appropriation for the redistribution transfers. State special revenue to the state is reduced $461,295 in FY 2010, $514,289 in FY 2011, and $807,000 in future years. Transfers to counties are reduced by like amounts. The legislation is effective July 1, 2009 and applies retroactively to coal produced and sold after December 31, 2007.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

	Full Assessed or Market Value			
Type of Property	**2003 Reappraisal**	**2009 Reappraisal**	**Difference in Value**	**Percent Change**
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to ▪ market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 55 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $1,911,600 in FY 2011 and $1,587,829 in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Table 4 - Additional Feature of HB 658

Timberland Capitalization Rate	Sales Assessment Ratio Study	Cap Homestead Exemption	Change 15-10-420
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill
			Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable
Extended Property Tax Assistance Program			
Property Tax Assistance Program, Application extended to July 15th, 2009			
Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009			

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 115 – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $1,030 in FY 2010 and $1,030 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced total property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 280 – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $13,437 in FY 2010 and $14,104 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

Senate Bill 465 – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $51,710 in FY 2010 and $25,855 in FY 2011 and beyond. The legislation is effective on passage and approval is retroactive to tax year 2008.

Senate Bill 489 – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $2,077,248 in FY 2010 and $2,195,651 in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,863 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 509 – Beginning with coal mined after June 30, 2009, the legislation provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purpose of calculating the coal taxes. The redefinition of contract sales price in SB 509 terminates July 1, 2017. The bill is not expected to impact coal gross proceeds taxes and, therefore, there is no impact on property tax revenue. The legislation is effective on passage and approval and applies to coal mined after June 30, 2009.

Senate Bill 510 – The legislation allows a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes for production from a new or expanding underground coal mine for a period of five years. Production from an expanding underground coal mine is defined as "that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement." The abatement applies to all jurisdictions in which the mine is located except the state. The abatement may be extended for one additional five year period. There is no impact on state property tax revenue. The legislation is effective is October 1, 2009 and applies to tax years beginning after December 31, 2009.

Property Tax: 55 Mill -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0487 Classify as business inventories certain farm implements and construction equ		(33,751)	(35,429)
HB0588 Revise coal gross proceeds distribution			
HB0658 Mitigate reappraisal		1,911,600	1,587,829
SB0115 Simplify income calculations for certain property tax assistance programs		(1,030)	(1,030)
SB0280 Revise tax exemption of rental personal property		(13,437)	(14,104)
SB0465 Clarify ownership of streambeds concerning property taxation		51,710	25,855
SB0489 Revise taxation laws related to pipelines		2,077,248	2,195,651
SB0509 Revise contract sales price of underground mined coal			
SB0510 Abatement of half of coal gross proceeds tax for new underground mine			
Total Estimated General Fund Impact	$0	$3,992,340	$3,758,772

% of Total General Fund Revenue:

FY 2004 – 7.54 %
FY 2005 – 6.69%
FY 2006 – 6.29%
FY 2007 – 6.37%
FY 2008 – 6.83%

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Forecast Considerations:

Major Drivers:

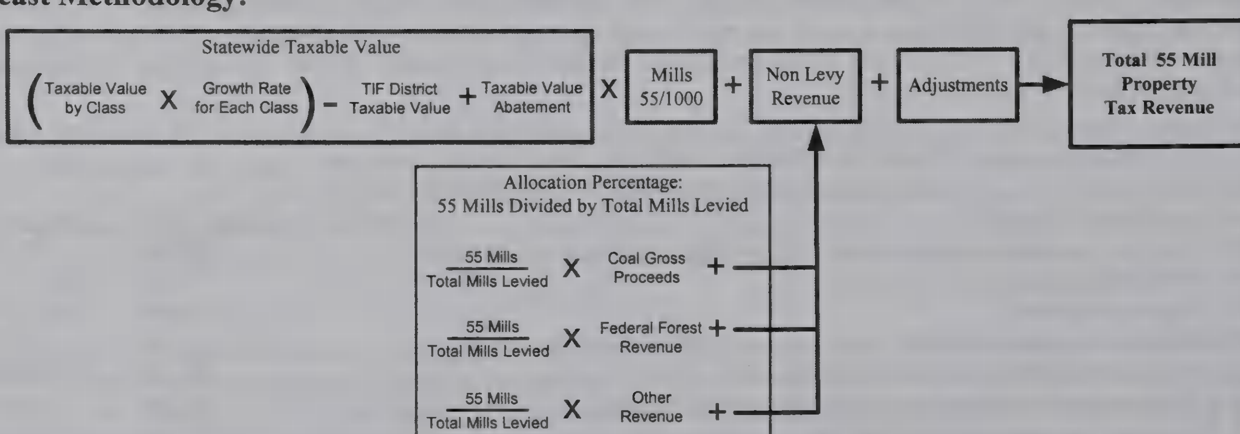
- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values
- Non levy revenue

Potential Factors Influencing Change:

- Economic Factors
  - Personal income change
  - Population change
  - In-migration of business
  - Success of business
  - Demand for local government services
- Social Factors
  - Demand for new housing
- Legislative Factors
  - State legislative impacts
    - Reappraisal mitigation
    - Tax rate changes
    - Property class definition
  - Federal legislative impacts
    - Federal 4R act as applies to railroad and airline property

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	125.145645	125.145645	1863.986815	0.055000	23.445540	0.274000
Actual	2001	115.454627	115.454627	1656.909416	0.055000	16.482000	4.933824
Actual	2002	105.375801	105.375801	1671.589714	0.055000	13.809000	0.000000
Actual	2003	106.028709	106.028709	1691.720391	0.055000	11.424000	0.000000
Actual	2004	104.223809	104.223809	1703.300593	0.055000	12.701000	0.000000
Actual	2005	104.183789	102.415859	1756.251400	0.055000	0.000000	0.000000
Actual	2006	108.949260	107.494822	1836.487799	0.055000	0.000000	0.000000
Actual	2007	115.230438	113.285362	1940.708962	0.055000	0.000000	0.000000
Actual	2008	121.354911	121.432143	2041.767032	0.055000	0.000000	0.000000
Forecast	2009	129.493000	129.095000	2117.329701	0.055000	13.040000	0.000000
Forecast	2010	137.292000	136.389000	2218.525578	0.055000	15.273000	0.000000
Forecast	2011	139.193000	138.290000	2265.107908	0.055000	14.612000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Forecast	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Forecast	2010	4.013187	48.376872	142.098658	1341.975431	35.856515	0.000000	1.243973
Forecast	2011	4.013187	15.373106	142.098658	1388.944571	36.572470	0.000000	1.274308

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Actual	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Actual	2006	123.054946	238.766675	6.793765	44.267220	122.845989	25.464420	4.136846
Actual	2007	135.612793	248.320188	6.815519	41.576814	130.475712	28.830201	18.854527
Actual	2008	138.658349	264.323803	6.822373	43.003619	152.941911	30.120363	18.098854
Forecast	2009	151.317488	260.189982	6.815620	43.567384	154.611156	25.752150	20.020604
Forecast	2010	158.838229	274.905784	6.815620	43.615233	162.407304	24.821120	20.020604
Forecast	2011	166.732764	290.453881	6.815620	43.516001	170.596567	24.737460	20.020604

Total Tax = Tax Value * Mills/1000 + Non-Levy + Adjustments

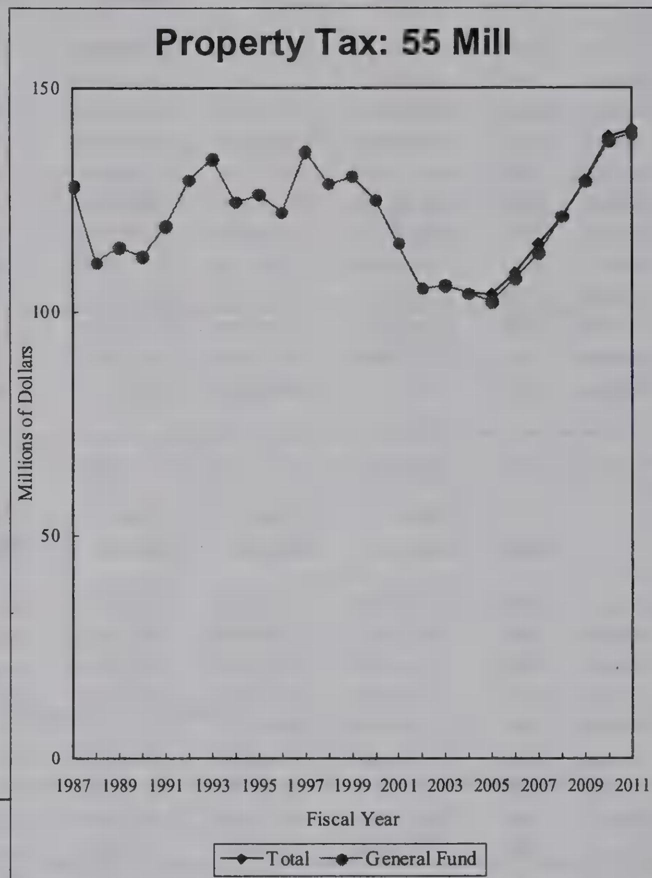
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	128.225413	128.225413	Not App.
A	1988	111.111138	111.111138	-13.35%
A	1989	114.444609	114.444609	3.00%
A	1990	112.374543	112.374543	-1.81%
A	1991	119.161125	119.161125	6.04%
A	1992	129.526346	129.526346	8.70%
A	1993	134.154928	134.154928	3.57%
A	1994	124.696589	124.696589	-7.05%
A	1995	126.265989	126.265989	1.26%
A	1996	122.329028	122.329028	-3.12%
A	1997	135.893657	135.893657	11.09%
A	1998	128.708743	128.708743	-5.29%
A	1999	130.388345	130.388345	1.30%
A	2000	125.145645	125.145645	-4.02%
A	2001	115.454627	115.454627	-7.74%
A	2002	105.375801	105.375801	-8.73%
A	2003	106.028709	106.028709	0.62%
A	2004	104.223809	104.223809	-1.70%
A	2005	104.183789	102.415859	-1.73%
A	2006	108.949260	107.494822	4.96%
A	2007	115.230438	113.285362	5.39%
A	2008	121.354911	121.432143	7.19%
F	2009	129.493000	129.095000	6.31%
F	2010	139.137000	138.234000	7.08%
F	2011	140.804000	139.902000	1.21%



Non Levy Revenue includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes, financial institution taxes, and reimbursements from the state were non levy revenue. Before January 1, 2003, oil and natural gas receipts were treated as non-levy revenue. The mills to which non levy revenue is distributed are unique for each county and each non levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax. For instance, statewide 40 mill revenue includes a property tax portion and a non levy portion.

A description for each individual source follows below.

Federal Forest Receipts

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. Through federal fiscal year 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25 percent of the federal forest receipts and sent the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

The previous formula for distributing federal forest payments sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25-percent payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20 percent but at least 15 percent must be used by county governments for projects on federal lands. The remainder is distributed as below.

Applicable Tax Rate(s): N/A

Distribution: The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

- 66 2/3% goes to the general fund of the county
- 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year: county equalization accounts (55 mills), county transportation account, county retirement accounts

Collection Frequency: Twice annually (usually October and December).

Statutory References:

Tax Rate – NA
Distribution (MCA) – 17-3-211, 17-3-212
Date Due - the state treasurer distributes the funds within 30 days after receiving full payment

% of Total General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source.

The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The previous formula for distributing federal forest payments sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25-percent payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20 percent but at least 15 percent must be used by county governments for projects on federal lands. The remainder is distributed as below.

Coal Gross Proceeds Tax

Revenue Description: The state imposes a gross proceeds tax of 5.0 percent on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. This is the same gross value as used in the calculation of the state coal severance tax.

The tax is applied to one year's worth of production and the producer is billed in the following year. The producer pays the tax to the county treasurer in which the mine is located in two equal installments. One is in November of the notice year and the other is in May of the following year. Once received by the county treasurer, the tax revenue is distributed one month after receipt.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Applicable Tax Rate(s): The amount of tax due is 5.0 percent of the value of production as measured by the contract sales price for production in the preceding calendar year.

Distribution: The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in tax year 1989. At that time the county equalization mill levy was 45 mills. However, coal gross proceeds from new mines (starting business after December 31, 1988) are distributed across mill levies in the previous fiscal year.

Applicable Assumptions and/or Relevant Indicators:

Montana Coal Production
Montana Contract Sales Price
Statewide Average Mill Ratios

Data Source(s): Coal Company Surveys, Department of Revenue, County Treasurers

Contacts: Coal Company Representatives, Department of Revenue, County Treasurers

Statutory References:

Tax Rate (MCA) – 15-23-703(1)
Tax Distribution (MCA) – 15-23-703(3)

% of Total General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. The taxable value is then computed for each company by taking anticipated production, and multiplying that number by the contract sales price. Taxable value is then multiplied by the applicable tax rate to determine tax revenue. The final step involves applying the mill ratio for the state county equalization levy to the average statewide levy for tax year 1989 for the counties in which mines are located.

Other Revenue

Revenue Description:

The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing and Bankhead Jones payments.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Distribution: Varies

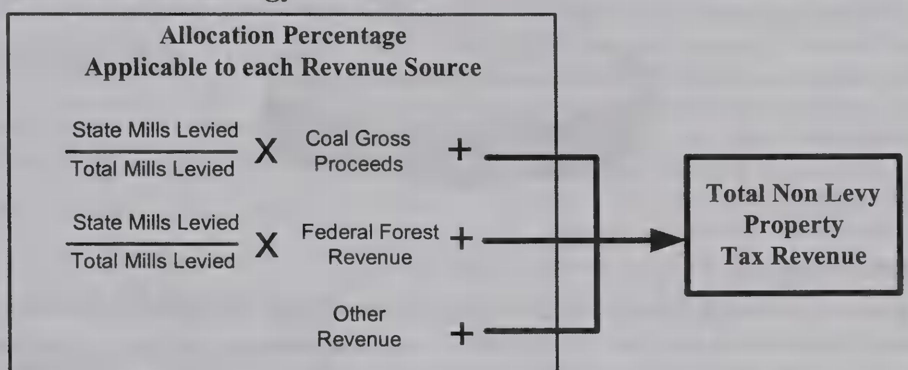
Collection Frequency: Varies

Statutory References: Various

% of Total General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: : Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections. Data for the last known year are obtained from data provided to the Office of Public Instruction by the county treasurers.

Forecast and Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

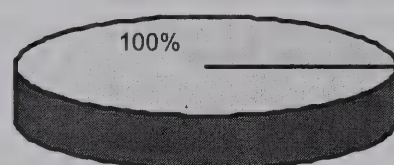
Statutory Reference:

Tax Rate (MCA) – 20-9-360
Tax Distribution (MCA) – 20-9-360
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every $1,000 in taxable value, 40 mills generate $40 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Distribution Chart:



Summary of Legislative Action:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 40-mill property tax is reduced $24,546 in FY 2010 and $25,767 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

	Full Assessed or Market Value			
Type of Property	**2003 Reappraisal**	**2009 Reappraisal**	**Difference in Value**	**Percent Change**
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Table 4 - Additional Feature of HB 658

Timberland Capitalization Rate	Sales Assessment Ratio Study	Cap Homestead Exemption	Change 15-10-420
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill
			Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable
Extended Property Tax Assistance Program			
Property Tax Assistance Program, Application extended to July 15th, 2009			
Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009			

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 40 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $1,390,255 in FY 2011 and $1,154,785 in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 115 – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $749 in FY 2010 and $749 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 280 – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $9,772 in FY 2010 and $10,258 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

Senate Bill 465 – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $37,607 in FY 2010 and $18,804 in FY 2011 and beyond. The legislation is effective on passage and approval is retroactive to tax year 2008.

Senate Bill 489 – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil

and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $1,510,726 in FY 2010 and $1,596,837 in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,863 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 509 – Beginning with coal mined after June 30, 2009, the legislation provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purpose of calculating the coal taxes. The redefinition of contract sales price in SB 509 terminates July 1, 2017. The bill is not expected to impact coal gross proceeds taxes and, therefore, there is no impact on property tax revenue. The legislation is effective on passage and approval and applies to coal mined after June 30, 2009.

Senate Bill 510 – The legislation allows a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes for production from a new or expanding underground coal mine for a period of five years. Production from an expanding underground coal mine is defined as "that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement." The abatement applies to all jurisdictions in which the mine is located except the state. The abatement may be extended for one additional five year period. There is no impact on state property tax revenue. The legislation is effective is October 1, 2009 and applies to tax years beginning after December 31, 2009.

Property Tax: 40 Mill -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0487 Classify as business inventories certain farm implements and construction equ		(24,546)	(25,767)
HB0658 Mitigate reappraisal		1,390,255	1,154,785
SB0115 Simplify income calculations for certain property tax assistance programs		(749)	(749)
SB0280 Revise tax exemption of rental personal property		(9,772)	(10,258)
SB0465 Clarify ownership of streambeds concerning property taxation		37,607	18,804
SB0489 Revise taxation laws related to pipelines		1,510,726	1,596,837
Total Estimated General Fund Impact	$0	$2,903,521	$2,733,652

% of Total General Fund Revenue:

FY 2004 – 4.66 %
FY 2005 – 4.18%
FY 2006 – 4.05%
FY 2007 – 4.31%
FY 2008 – 4.64%

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Forecast Methodology:

Statewide Taxable Value

(Taxable Value by Class X Growth Rate for Each Class) − TIF District Taxable Value + Taxable Value Abatement X Mills 40/1000 + Adjustments → Total 40 Mill Property Tax Revenue

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	68.119545	68.119545	1863.986815	0.040000	10.810197	-12.712919
Actual	2001	63.423977	63.423977	1656.909416	0.040000	5.251000	-11.300000
Actual	2002	63.044975	63.044975	1671.589714	0.040000	4.705000	-9.888000
Actual	2003	64.767167	64.767167	1691.720391	0.040000	2.983000	-8.475000
Actual	2004	64.339197	64.339197	1703.300593	0.040000	3.889000	-7.063000
Actual	2005	65.236575	63.950808	1756.251400	0.040000	0.000000	-5.650000
Actual	2006	70.257071	69.199414	1836.487799	0.040000	0.000000	-4.238000
Actual	2007	78.129591	76.712447	1940.708962	0.040000	0.000000	-2.825000
Actual	2008	82.458974	82.517881	2041.767032	0.040000	0.000000	-1.413000
Forecast	2009	84.693000	84.405000	2117.329701	0.040000	0.000000	0.000000
Forecast	2010	88.741000	88.085000	2218.525578	0.040000	0.000000	0.000000
Forecast	2011	90.604000	89.948000	2265.107908	0.040000	0.000000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Forecast	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Forecast	2010	4.013187	48.376872	142.098658	1341.975431	35.856515	0.000000	1.243973
Forecast	2011	4.013187	15.373106	142.098658	1388.944571	36.572470	0.000000	1.274308

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.7480920	498.0302370	8.5200900	68.1925880	0.0000000	44.5355770	7.8747870
Actual	2001	112.7827340	230.8329780	8.7088490	49.6414440	147.1427500	28.4288400	7.8747870
Actual	2002	116.6052090	219.9557670	8.1987880	48.6583800	144.4880950	30.5295630	3.8798300
Actual	2003	118.3489260	206.3601230	7.1702390	46.6884790	137.1848470	30.8028320	3.8700000
Actual	2004	118.2969880	212.1109300	6.7892870	45.6302570	125.6225470	33.5621400	3.1883180
Actual	2005	117.2409840	219.9928240	6.7913820	45.0740610	120.4850650	27.7669030	4.0883170
Actual	2006	123.0549460	238.7666750	6.7937650	44.2672200	122.8459890	25.4644200	4.1368460
Actual	2007	135.6127930	248.3201880	6.8155190	41.5768140	130.4757120	28.8302010	18.8545270
Actual	2008	138.6583487	264.3238030	6.8223730	43.0036190	152.9419110	30.1203630	18.0988540
Forecast	2009	151.3174882	260.1899820	6.8156200	43.5673840	154.6111560	25.7521500	20.0206040
Forecast	2010	158.8382290	274.9057840	6.8156200	43.6152330	162.4073040	24.8211200	20.0206040
Forecast	2011	166.7327640	290.4538810	6.8156200	43.5160010	170.5965670	24.7374600	20.0206040

Total Tax = Tax Value * Mills/1000 + Non-Levy + Adjustments

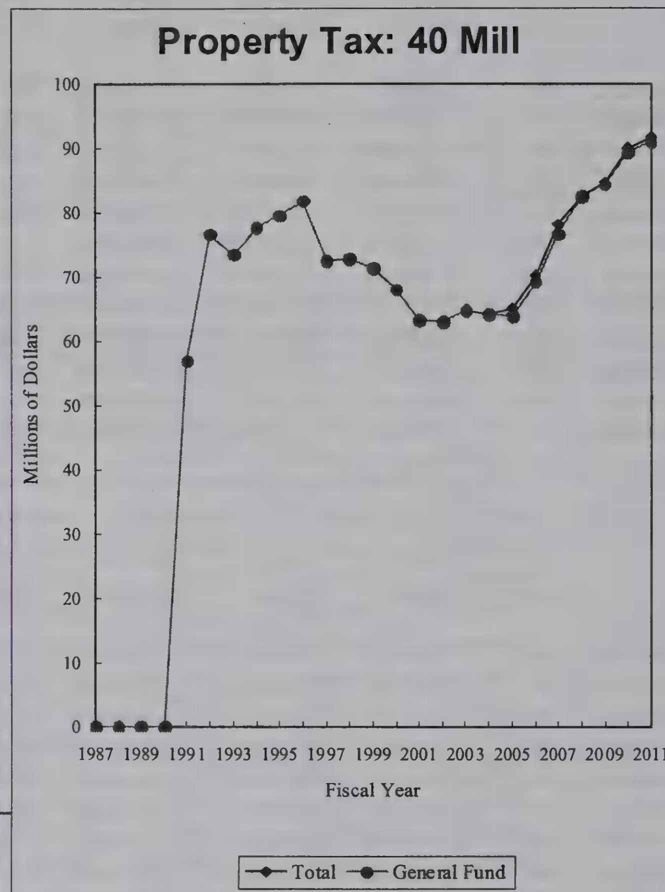
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	56.993458	56.993458	Not App.
A	1992	76.611683	76.611683	34.42%
A	1993	73.491444	73.491444	-4.07%
A	1994	77.685356	77.685356	5.71%
A	1995	79.576682	79.576682	2.43%
A	1996	81.753560	81.753560	2.74%
A	1997	72.560534	72.560534	-11.24%
A	1998	72.792875	72.792875	0.32%
A	1999	71.370740	71.370740	-1.95%
A	2000	68.119545	68.119545	-4.56%
A	2001	63.423977	63.423977	-6.89%
A	2002	63.044975	63.044975	-0.60%
A	2003	64.767167	64.767167	2.73%
A	2004	64.339197	64.339197	-0.66%
A	2005	65.236575	63.950808	-0.60%
A	2006	70.257071	69.199414	8.21%
A	2007	78.129591	76.712447	10.86%
A	2008	82.458974	82.517881	7.57%
F	2009	84.693000	84.405000	2.29%
F	2010	90.083000	89.427000	5.95%
F	2011	91.776000	91.120000	1.89%



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

Statutory Reference:

Tax Rate (MCA) – 15-10-107

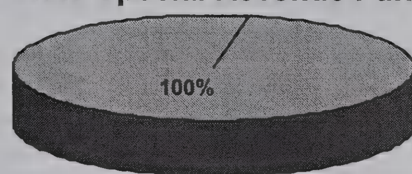
Tax Distribution (MCA) – 15-10-107

Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every $1,000 in taxable value, 6 mills generate $6 in state property taxes.

Distribution: All tax receipts are deposited into the university system 6 mill levy state special revenue account.

Distribution Chart:



Summary of Legislative Action:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 95-mill property tax is reduced $58,623 in FY 2010 and $61,537 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

	Full Assessed or Market Value			
Type of Property	**2003 Reappraisal**	**2009 Reappraisal**	**Difference in Value**	**Percent Change**
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Table 4 - Additional Feature of HB 658

<table>
<tr><th>Timberland Capitalization Rate</th><th>Sales Assessment Ratio Study</th><th>Cap Homestead Exemption</th><th>Change 15-10-420</th></tr>
<tr><td rowspan="2">Minimum of 8 percent, Create Timber Advisory Committee</td><td rowspan="2">Conduct every two years - Report to Revenue and Transportation Interim Committee</td><td rowspan="2">Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units</td><td>Round state mills up to the nearest tenth of a mill</td></tr>
<tr><td>Redefine newly taxable property that is newly constructed as current year value less previous year value</td></tr>
</table>

<table>
<tr><th colspan="2">Keep as Current Law</th><th>Studies</th><th>Deadlines</th></tr>
<tr><td>Elderly Homeowner Renter Credit</td><td rowspan="4">Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs</td><td rowspan="4">Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers</td><td rowspan="4">All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable</td></tr>
<tr><td>Extended Property Tax Assistance Program</td></tr>
<tr><td>Property Tax Assistance Program, Application extended to July 15th, 2009</td></tr>
<tr><td>Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009</td></tr>
</table>

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 95 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $3.2 million in FY 2011 and $2.8 million in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 115 – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $1,789 in FY 2010 and $1,789 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 280 – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $23,338 in FY 2010 and $24,498 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

Senate Bill 465 – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $89,816 in FY 2010 and $44,908 in FY 2011 and beyond. The 6-mill impact of SB 465 increases state special revenue $5,642 in FY 2010 and $2,821 in FY 2011. The legislation is effective on passage and approval is retroactive to tax year 2008.

Senate Bill 489 – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue

was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $3.6 million in FY 2010 and $3.8 million in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,862 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 509 – Beginning with coal mined after June 30, 2009, the legislation provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purpose of calculating the coal taxes. The redefinition of contract sales price in SB 509 terminates July 1, 2017. The bill is not expected to impact coal gross proceeds taxes and, therefore, there is no impact on property tax revenue. The legislation is effective on passage and approval and applies to coal mined after June 30, 2009.

Senate Bill 510 – The legislation allows a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes for production from a new or expanding underground coal mine for a period of five years. Production from an expanding underground coal mine is defined as "that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement." The abatement applies to all jurisdictions in which the mine is located except the state. The abatement may be extended for one additional five year period. There is no impact on state property tax revenue. The legislation is effective is October 1, 2009 and applies to tax years beginning after December 31, 2009.

Property Tax: 6 Mill -- Legislation Passed by 61st Legislature
Estimated State Special Revenue Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0487 Classify as business inventories certain farm implements and construction equ		(3,703)	(3,887)
HB0658 Mitigate reappraisal		208,538	173,218
SB0115 Simplify income calculations for certain property tax assistance programs		(113)	(113)
SB0280 Revise tax exemption of rental personal property		(1,474)	(1,547)
SB0465 Clarify ownership of streambeds concerning property taxation		5,642	2,821
SB0489 Revise taxation laws related to pipelines		227,873	240,862
SB0509 Revise contract sales price of underground mined coal			
SB0510 Abatement of half of coal gross proceeds tax for new underground mine			
Total Estimated State Special Revenue Fund Impact	$0	$436,763	$411,354

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

% of Total General Fund Revenue: NA

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Forecast Methodology:

Statewide Taxable Value: (Taxable Value by Class X Growth Rate for Each Class) - TIF District Taxable Value + Taxable Value Abatement

X Mills 6/1000 + Adjustments → Total 6 Mill Property Tax Revenue

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	13.189138	0.000000	1900.647605	0.006000	2.584415	0.000000
Actual	2001	13.837616	0.000000	1677.463469	0.006000	1.758000	0.657843
Actual	2002	12.298211	0.000000	1698.239447	0.006000	1.588000	0.000000
Actual	2003	12.010924	0.000000	1722.523223	0.006000	1.082000	0.000000
Actual	2004	11.374292	0.000000	1736.862733	0.006000	0.000000	0.000000
Actual	2005	12.244984	0.000000	1784.018303	0.006000	0.000000	0.000000
Actual	2006	11.952119	0.000000	1861.952219	0.006000	0.000000	0.000000
Actual	2007	12.516793	0.000000	1969.539163	0.006000	0.000000	0.000000
Actual	2008	13.312517	0.000000	2071.887395	0.006000	0.000000	0.000000
Forecast	2009	13.702000	0.000000	2143.081851	0.006000	0.844000	0.000000
Forecast	2010	14.671000	0.000000	2243.346698	0.006000	1.211000	0.000000
Forecast	2011	14.924000	0.000000	2289.845368	0.006000	1.185000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Forecast	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Forecast	2010	4.013187	48.376872	142.098658	1341.975431	35.856515	0.000000	1.243973
Forecast	2011	4.013187	15.373106	142.098658	1388.944571	36.572470	0.000000	1.274308

Legislative Fiscal Division

Revenue Estimate Profile

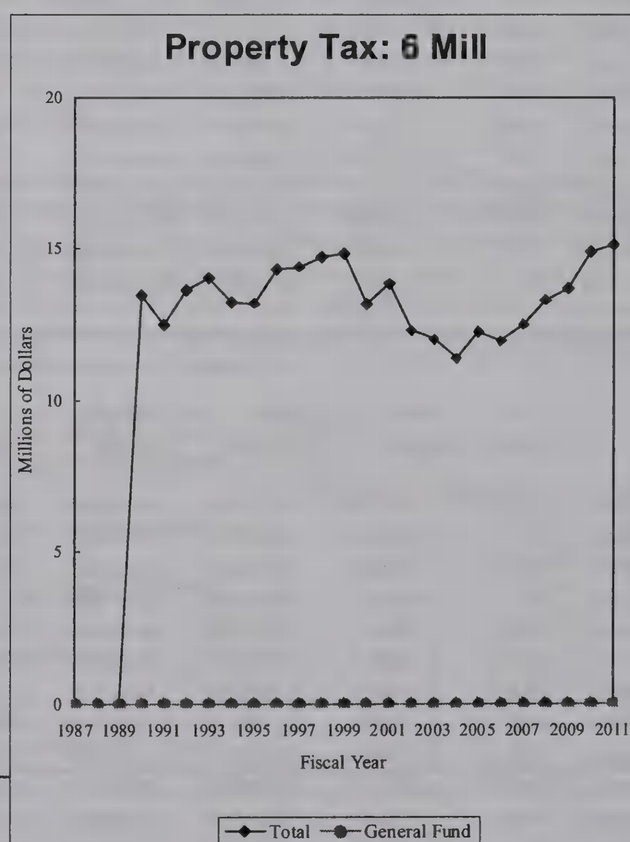
Property Tax: 6 Mill

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Actual	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Actual	2006	123.054946	238.766675	6.793765	44.267220	122.845989	25.464420	4.136846
Actual	2007	135.612793	248.320188	6.815519	41.576814	130.475712	28.830201	18.854527
Actual	2008	138.658349	264.323803	6.822373	43.003619	152.941911	30.120363	18.098854
Forecast	2009	151.317488	260.189982	6.815620	43.567384	154.611156	25.752150	20.020604
Forecast	2010	158.838229	274.905784	6.815620	43.615233	162.407304	24.821120	20.020604
Forecast	2011	166.732764	290.453881	6.815620	43.516001	170.596567	24.737460	20.020604

Total Tax = Tax Value * Mills/1000 + Non-Levy + Adjustments

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	13.474561	0.000000	Not App.
A	1991	12.496650	0.000000	Not App.
A	1992	13.617908	0.000000	Not App.
A	1993	14.043891	0.000000	Not App.
A	1994	13.216589	0.000000	Not App.
A	1995	13.205272	0.000000	Not App.
A	1996	14.303006	0.000000	Not App.
A	1997	14.403716	0.000000	Not App.
A	1998	14.702250	0.000000	Not App.
A	1999	14.833917	0.000000	Not App.
A	2000	13.189138	0.000000	Not App.
A	2001	13.837616	0.000000	Not App.
A	2002	12.298211	0.000000	Not App.
A	2003	12.010924	0.000000	Not App.
A	2004	11.374292	0.000000	Not App.
A	2005	12.244984	0.000000	Not App.
A	2006	11.952119	0.000000	Not App.
A	2007	12.516793	0.000000	Not App.
A	2008	13.312517	0.000000	Not App.
F	2009	13.702000	0.000000	Not App.
F	2010	14.873000	0.000000	Not App.
F	2011	15.101000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Description: Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. This revenue component used to include collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. HB 124, passed during the 2001 legislative session, eliminated distribution of non-levy sources to the 1.5 mill levy.

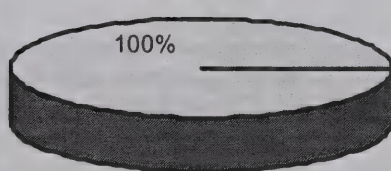
Statutory Reference:

Tax Rate (MCA) – 20-25-439(1)
Tax Distribution (MCA) – 20-25-439(2)
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every $1,000 in taxable value,1.5 mills generate $1.50 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Distribution Chart:



Summary of Legislative Action:

House Bill 487 – The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 1.5-mill property tax is reduced $325 in FY 2010 and $341 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 658 – The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased-in over six years between January 1, 2003 and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009 be phased-in at 1/6 per year between January 1, 2009 and January 1, 2014. If HB 658 had not been enacted, existing tax rates and exemptions would have been applied to these phased-in values during this period.

Table 1 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued not only for new crop prices, but for new yield values. The average increase in value statewide was 26.8 percent. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Table 2.

New Reappraisal Values

Table 1 - Changes in Value Due to Reappraisal

	Full Assessed or Market Value			
Type of Property	**2003 Reappraisal**	**2009 Reappraisal**	**Difference in Value**	**Percent Change**
Class 3 - Agricultural Land	**$4,446,329,036**	**$5,636,120,313**	**$1,189,791,277**	**26.8%**
Class 3 - Agricultural Land w/ Cost Adj	**$4,446,329,036**	**$5,537,552,743**	**$1,091,223,707**	**24.5%**
Class 4 - Residential Property	**$48,714,569,856**	**$75,575,222,942**	**$26,860,653,087**	**55.1%**
Class 4 - Commercial: Multifamily Property	$2,226,005,531	$2,964,215,783	$738,210,253	33.2%
Class 4 - Commercial: All Other Property	$11,464,532,592	$15,444,499,573	$3,979,966,981	34.7%
Subtotal Class 4 Commercial	**$13,690,538,123**	**$18,408,715,357**	**$4,718,177,234**	**34.5%**
Class 4 Total	**$62,405,107,979**	**$93,983,938,299**	**$31,578,830,320**	**50.6%**
Class - 10 Forest Land	**$1,947,330,452**	**$2,954,056,906**	**$1,006,726,454**	**51.7%**
Class - 10 Forest Land - Cap Rate min=8%	**$1,947,330,452**	**$2,318,041,346**	**$370,710,894**	**19.0%**

Table 2 - Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Table 1 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate of eight percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Table 1 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased-in over the next six years beginning January 1, 2009.

Reappraisal Mitigation

Table 3 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions so as to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
TY2008	3.01%	34.0%	15.0%	0.35%
TY2009	2.93%	36.8%	14.2%	0.34%
TY2010	2.82%	39.5%	15.9%	0.33%
TY2011	2.72%	41.8%	17.5%	0.32%
TY2012	2.63%	44.0%	19.0%	0.31%
TY2013	2.54%	45.5%	20.3%	0.30%
TY2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly under mitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 1.5 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $18,421 in FY 2011 and $15,301 in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account as a result of HB 658 are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Table 4 - Additional Feature of HB 658

Timberland Capitalization Rate	Sales Assessment Ratio Study	Cap Homestead Exemption	Change 15-10-420
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill
			Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable
Extended Property Tax Assistance Program			
Property Tax Assistance Program, Application extended to July 15th, 2009			
Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009			

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Table 4. In addition, HB 658 voids section 1 of SB 115 which amended certain class 4 statutes. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 115 – The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. However, section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $10 in FY 2010 and $10 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced total property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 280 – The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10% of the total rentals or leases during a calendar year 2, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $129 in FY 2010 and $136 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

Senate Bill 465 – The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $489 in FY 2010 and $249 in FY 2011 and beyond. The legislation is effective on passage and approval is retroactive to tax year 2008.

Senate Bill 489 – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3%) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment to class 8. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12%), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $20,017 in FY 2010 and $21,158 in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,863 in FY 2011. The legislation is effective on passage and approval and applies retroactively beginning with tax year 2009.

Property Tax: 1.5 Mill -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0487 Classify as business inventories certain farm implements and construction equ		(325)	(341)
HB0658 Mitigate reappraisal		18,421	15,301
SB0115 Simplify income calculations for certain property tax assistance programs		(10)	(10)
SB0280 Revise tax exemption of rental personal property		(129)	(136)
SB0465 Clarify ownership of streambeds concerning property taxation		498	249
SB0489 Revise taxation laws related to pipelines		20,017	21,158
Total Estimated General Fund Impact	$0	$38,472	$36,221

% of Total General Fund Revenue:

FY 2004 – 0.07 %
FY 2005 – 0.06%
FY 2006 – 0.06%
FY 2007 – 0.06%
FY 2008 – 0.06%

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Forecast Methodology:

Statewide Taxable Value

(Taxable Value by Class X Growth Rate for Each Class) - TIF District Taxable Value + Taxable Value Abatement X Mills 1.5/1000 → **Total 1.5 Mill Property Tax Revenue**

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	0.930968	0.930968	618.047161	0.001500	0.121110	0.000000
Actual	2001	1.171643	1.171643	552.853841	0.001500	0.126000	0.038500
Actual	2002	0.918612	0.918612	563.452494	0.001500	0.020000	0.033688
Actual	2003	0.883986	0.883986	586.588275	0.001500	0.000000	0.000000
Actual	2004	0.967988	0.967988	596.512999	0.001500	0.000000	0.000000
Actual	2005	0.922474	0.903683	608.056452	0.001500	0.000000	0.000000
Actual	2006	0.959592	0.944963	662.811261	0.001500	0.000000	0.000000
Actual	2007	0.995605	0.984130	693.488490	0.001500	0.000000	0.000000
Actual	2008	1.096579	1.093727	721.234291	0.001500	0.000000	0.000000
Forecast	2009	1.116000	1.115000	743.920985	0.001500	0.000000	0.000000
Forecast	2010	1.162000	1.154000	774.678861	0.001500	0.000000	0.000000
Forecast	2011	1.198000	1.190000	798.988264	0.001500	0.000000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Actual	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Actual	2006	2.694216	13.045195	140.988242	1129.794467	34.611220	0.000000	0.953438
Actual	2007	3.252295	21.106138	141.002419	1183.820993	35.077724	0.000000	1.068358
Actual	2008	3.839998	18.849252	141.328914	1244.916482	35.418055	0.000000	1.095826
Forecast	2009	4.013187	24.540432	142.098658	1296.594619	35.154576	0.000000	1.214360
Forecast	2010	4.013187	48.376872	142.098658	1341.975431	35.856515	0.000000	1.243973
Forecast	2011	4.013187	15.373106	142.098658	1388.944571	36.572470	0.000000	1.274308

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Actual	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Actual	2006	123.054946	238.766675	6.793765	44.267220	122.845989	25.464420	4.136846
Actual	2007	135.612793	248.320188	6.815519	41.576814	130.475712	28.830201	18.854527
Actual	2008	138.658349	264.323803	6.822373	43.003619	152.941911	30.120363	18.098854
Forecast	2009	151.317488	260.189982	6.815620	43.567384	154.611156	25.752150	20.020604
Forecast	2010	158.838229	274.905784	6.815620	43.615233	162.407304	24.821120	20.020604
Forecast	2011	166.732764	290.453881	6.815620	43.516001	170.596567	24.737460	20.020604

Total Tax = Tax Value * Mills/1000 + Non-Levy + Adjustments

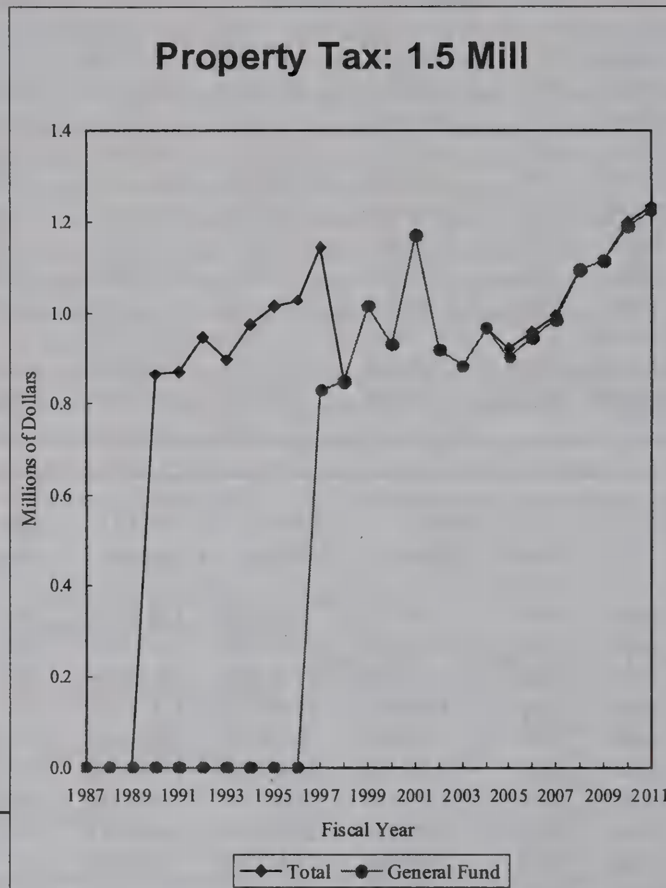
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.863590	0.000000	Not App.
A	1991	0.870302	0.000000	Not App.
A	1992	0.945934	0.000000	Not App.
A	1993	0.895874	0.000000	Not App.
A	1994	0.974589	0.000000	Not App.
A	1995	1.013989	0.000000	Not App.
A	1996	1.028520	0.000000	Not App.
A	1997	1.144082	0.830174	Not App.
A	1998	0.848762	0.848762	2.24%
A	1999	1.015894	1.015894	19.69%
A	2000	0.930968	0.930968	-8.36%
A	2001	1.171643	1.171643	25.85%
A	2002	0.918612	0.918612	-21.60%
A	2003	0.883986	0.883986	-3.77%
A	2004	0.967988	0.967988	9.50%
A	2005	0.922474	0.903683	-6.64%
A	2006	0.959592	0.944963	4.57%
A	2007	0.995605	0.984130	4.14%
A	2008	1.096579	1.093727	11.14%
F	2009	1.116000	1.115000	1.95%
F	2010	1.200000	1.192000	6.91%
F	2011	1.234000	1.226000	2.85%



Other General Fund Revenue

All Other Revenue
Highway Patrol Fines
Nursing Facilities Fee
Public Institution Reimbursements
Tobacco Settlement

www.leg.mt.gov/css/fiscal

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Revenue Description: There are a number of other taxes, fees, and fines that historically have generated less than $2.5 million each in annual general fund revenue. In addition, the statutes governing these miscellaneous taxes, fees, and fines are frequently changed, making meaningful comparison between tax years impractical and accurate estimation of the revenue difficult.

"All Other Revenue" sources are estimated in aggregate except for the following: court automation surcharge (enacted by the 2005 Legislature in House Bill 536), investment license transfers, liquor license fee transfers, civil fines, lodging facility use tax, Montana University System debt service deposits, deposits by state agencies for SWCAP/ SFCAP, district court fees, BOI reimbursement of State Street Banking fees, transfers of excess coal tax revenue in the shared account, bentonite tax enacted in SB 276 by the 2005 Legislature, excess balances in the captive insurance and the procurement accounts, and transfers of the excess over $2.0 million from the veterans' cigarette tax account administered by DPHHS. In the past, general fund wildfire costs incurred on federal jurisdiction fires and reimbursed by the federal government had been included in this revenue source, but beginning in fiscal 2003 they are deposited to the federal special revenue fund.

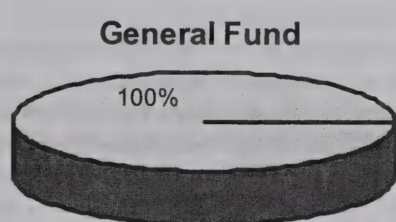
A one-time revenue adjustment of $4.0 million was added in fiscal 2009 for State Auditor security fines. Montana was part of the investigation of 15 large broker-dealer firms for fraudulent and unsuitable recommendation of auction rate securities. Ten of these firms have agreed to settlements in principal. The State Auditor's Offices expects the fines to be paid by the end of FY 2009.

Statutory Reference: Various

Applicable Tax Rate(s): Various

Distribution: "All Other Revenue" is deposited in the general fund.

Distribution Chart:



Summary of Legislative Action:

House Bill 2 – The money appropriated from certain accounts impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature (such as those in HB 2 and HB 5) may differ and, thus, may affect revenue. Revenue changes due to changes in appropriations occur in the following accounts: 1) liquor enterprise fund (DOR and DOJ); 2) securities fee account (State Auditor's Office); 3) captive account (State Auditor's Office; 4) cigarette tax revenue account (DPHHS); 5) procurement special revenue account (Administration); 6) liquor division account (DOR); and coal severance tax shared account (agriculture, state library, DNRC). These changes reduce general fund revenue $956,444 in FY 2010 and $683,522 in FY 2011.

House Bill 5 – The money appropriated from certain accounts impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the executive budget and finalized in HJ 2, final appropriations set by the legislature (such as those in HB 2 and HB 5) may differ and, thus, may affect revenue. Transfers from the cigarette tax revenue account (DPHHS) to the general fund are reduced because an additional $100,000 was appropriated from this account for planning on the capitol campus. This change reduces general fund revenue $100,000 in FY 2010.

House Bill 82 – Under the previous law, 3.74 percent of 9-1-1 fees was deposited to the general fund. HB 82 eliminates this distribution

and earmarks 2.74 percent to the state special revenue fund to be used for administration. General fund revenue decreases $481,052 in FY 2010 and $513,619 in FY 2011, and state special revenue increases by the same amounts. Of the state special revenue, $128,624 in FY 2010 and $137,331 in FY 2011 is statutorily appropriated to the Department of Administration. The legislation is effective July 1, 2009.

House Bill 108 – The legislation creates a new state special revenue account and earmarks certain criminal restitution payments to the account that previously had been deposited to the general fund. General fund revenue decreases $200,000 in FY 2010 and $200,000 in FY 2011 and state special revenue increases the same amounts. The new state special revenue is statutorily appropriated to the Department of Justice for crime victims' compensation. The legislation is effective July 1, 2009 and terminates June 30, 2015.

House Bill 154 – The legislation makes numerous changes to the fire suppression account (created by HB 3 in the September 2007 special legislative session): 1) the account is made permanent (it had been terminated at the end of FY 2009); 2) uses of money in the account are expanded to include fire prevention, fuel mitigation, grants for county cooperative fire suppression equipment, and fire suppression costs incurred by the state in FY 2008; and 3) eliminates the statutory appropriation of money in the account. Since under current law the account was to be terminated in FY 2009, any balance in the account, estimated to be $32,915,000, was to be transferred to the general fund (17-1-504, MCA). Because the termination of the account was repealed by HB 154, general fund revenue is reduced $32,915,000 in FY 2009. The legislation is effective on passage and approval.

House Bill 331 – The legislation increases license fees for retail; food service establishments from $60 for establishments with two or fewer employees and $90 for all others to $85 and $115, respectively. Revenue from theses fees is deposited 5 percent to the general fund and 95 percent to the state special revenue fund. Fees (various amounts) for other food service establishments (such as bed and breakfasts, hotels, and boarding houses) also are increased. Revenue from these fees is deposited 11.25 percent to the general fund and 88.75 percent to the state special revenue fund. General fund revenue increases $19,666 in FY 2010 and $19,666 in FY 2011 and state special revenue increases $262,849 in FY 2010 and $262,849 in FY 2011. The legislation is effective on passage and approval.

House Bill 384 – Under the previous law, issuers of state bonds paid a bond issuance fee of $0.30 per $1,000 of bonds issued. This legislation increases the fee to $0.35 per $1,000 of bonds issued for an increase in general fund revenue of $19,847 in FY 2010 and $19,847 in FUY 2011. The legislation is effective on passage and approval.

House Bill 583 – A new program is established to promote Montana agricultural development through the funding of four development centers. The legislature provided $250,000 general fund appropriations for each year of the 2011 biennium, but also directed that $250,000 from the research and commercialization state special revenue account be transferred to the general fund for each year of the 2011 biennium. General fund revenue increases $250,000 in FY 2010 and $250,000 in FY 2011. The legislation is effective July 1, 2009.

House Bill 645 – This legislation requires revenue to the general fund from hospital utilization fee revenue in excess of $16,232,795 in FY 2009, $18,505,269 in FY 2010, and $19,818,193 in FY 2011 be deposited to the general fund for an increase in general fund revenue of $3,350,007 in FY 2009, $4,564,481 in FY 2010, and $3,465,357 in FY 2011. The legislation is effective on passage and approval. The section implementing the deposit of excess hospital utilization fees to the general fund terminates June 30, 2011.

Senate Bill 281 – The legislation waives the driver's license reinstatement fee for non-alcohol related license suspensions of indigents who have complied with sentencing requirements for a net general fund increase of $3,367 in FY 2010 and $3,767 in FY 2011. The legislation is effective July 1, 2009.

Senate Bill 356 – The legislation provides for the licensure of manufactures home dealers. The one-time fee of $50 is deposited to the general fund. General fund revenue increases $1,500 in FY 2010. The legislation is effective October 1, 2009.

Legislative Fiscal Division
Revenue Estimate Profile
All Other Revenue

All Other Revenue -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0002 General appropriations act		(956,444)	(683,522)
HB0005 Long-range building appropriations -- include energy conservation		(100,000)	
HB0082 Revise deposit of stranded 911 revenue		(481,052)	(513,619)
HB0108 Revise deposit of restitution payments		(200,000)	(200,000)
HB0154 Make fire suppression fund permanent, fund and revise use	(32,915,000)		
HB0331 Revise laws relating to licensed establishments for health purposes		19,666	19,666
HB0384 Revise volume cap bond procurement laws		19,847	19,847
HB0583 Fund food and agriculture innovation centers		250,000	250,000
HB0645 Implement receipt of and appropriate federal stimulus and recovery funds	3,350,007	4,564,481	3,465,357
SB0281 Revise driver license suspension law		3,367	3,767
SB0356 Licensure for manufactured housing dealers		1,500	
	($29,564,993)	$3,121,365	$2,361,496

% of Total General Fund Revenue:

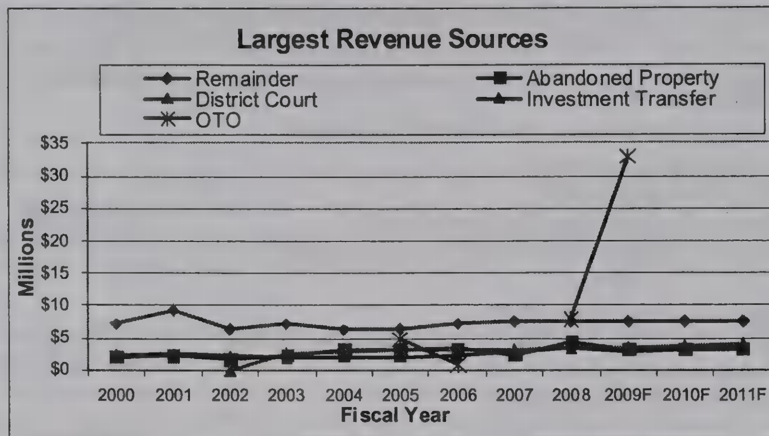
FY 2004 - 2.19%
FY 2005 - 2.27%
FY 2006 - 1.87%
FY 2007 - 1.04%
FY 2008 - 1.96%

Revenue Estimate Methodology:

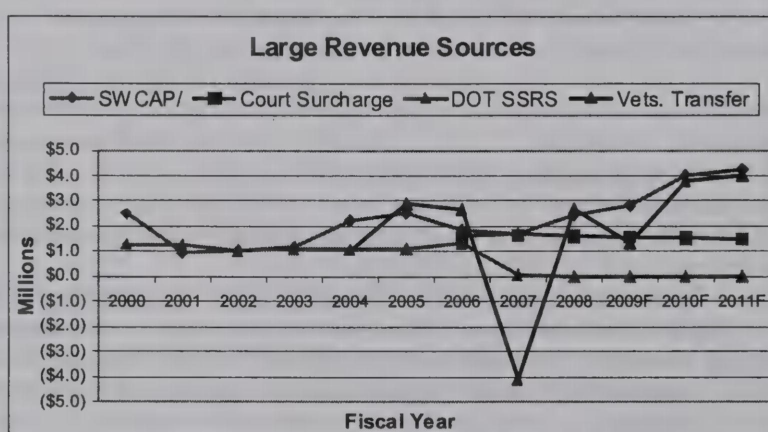
There are numerous smaller sources of revenue deposited to the general fund that are treated as a single source termed "All Other". Fifteen of these revenue sources are estimated individually with the remainder estimated as a group.

Data
Numerous data sources are consulted for each of the applicable 15 revenue sources that are estimated individually.

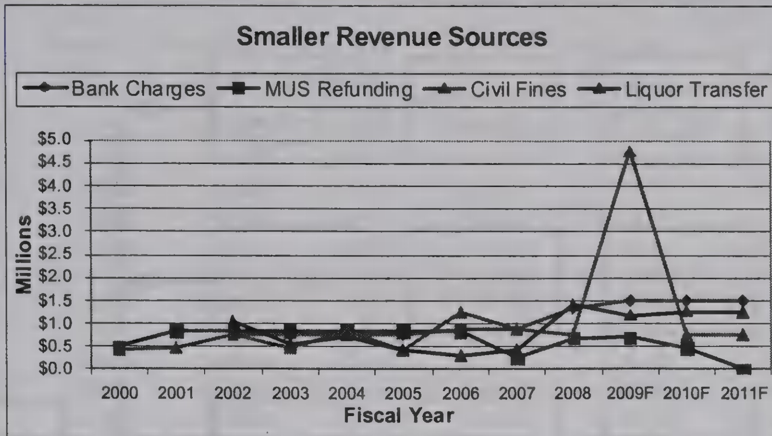
Analysis
1. Largest Revenue Sources (see the figure below)
    a. The remainder of "All Other" revenue, after the 15 revenue sources have been estimated individually, is estimated by continuing the amount received in FY 2008 for FY 2009-FY 2011.
    b. Abandoned Property – The amount collected in FY 2008 is used for the estimates for FY 2009-FY 2011.
    c. District Court Fees – The previous year's amount is increased by the growth rate between the prior two years.
    d. Investment License Fee Transfer – The transfer amount is the net between non-general fund investment fee revenue collected by the State Auditor and its expenses. These amounts are determined in the "Investment License Fee" revenue source.
    e. OTO - In the September 2007 special session the legislature enacted HB 3 that created a fire suppression state special revenue account and transferred $40.0 million general fund into it to pay fire suppression costs. HB 3 terminates June 30, 2009. It is estimated that there will be a balance of $32.915 million in the fund at the end of FY 2009. Section 17-1-504, MCA, requires that all assets, liabilities, and fund balance of an account terminated by the legislature accrues to the general fund. Therefore, $32.915 million is contained in this revenue source for FY 2009.



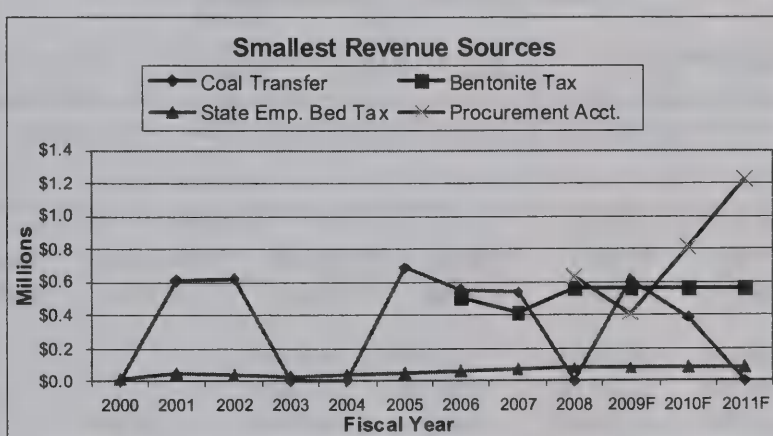
1. Large Revenue Sources (see the figure below)
    a. Statewide Cost Allocation Plan – Amounts budgeted for agencies in HB 2 for the SWCAP are used for the amounts from this source.
    b. Court Surcharge – The previous year's amount is increased by the growth rate between the prior two years.
    c. Veteran's Cigarette Account Transfer – Money in the account at the end of a fiscal year in excess of $2.0 million is transferred to the general fund. To estimate the excess amounts, distributions of cigarette tax revenue to the account (as determined in the "Cigarette Tax" revenue source) is reduced by budgeted present law amounts from the account for each fiscal year obtained from MBARS. Included are expenditure estimates from long range building appropriations. The $2.0 million limit is then subtracted from the net revenue.



2. Smaller Revenue Sources (see the figure below)
    a. Banking Charges – The rate the Board of Investments charges funds for its services is determined by a contract with a financial institution. Board personnel state that the current contract is $1,500,000, but may be more if additional accounts are established. The current contract amount was used.
    b. Montana University System Refunding – Payments are determined by a loan repayment schedule calculated by the Department of Administration. The loan will be paid off by FY 2011.
    c. Civil Fines – The amount collected in FY 2008 is carried forward for FY 2009-FY2011. The FY 2009 amount is increased by $4.0 million of security settlement revenue anticipated by the State Auditor's Office.
    d. Liquor License Fee Transfer – Money collected from liquor license fees, net of operating costs of the Department of Revenue and Department of Justice, is transferred to the general fund. License fee revenue and operating costs (obtained from MBARS budgets) are estimated and shown in the "Liquor Profits" revenue source.



3. Smallest Revenue Sources (see the figure below)
   a. Coal Shared Account, Captive Insurance Account, and Procurement Account Transfers – Any excess fund balance in the accounts are transferred to the general fund. To estimate the excess amounts, distributions of coal severance tax revenue to the account (as determined in the "Coal Severance Tax" revenue source) and revenues estimated by the Governor's budget office are reduced by budgeted present law amounts for each fiscal year from the account obtained from MBARS.
   b. Bentonite Tax – The amount collected in FY 2008 is carried forward for FY 2009-FY2011.
   c. State Employees Lodging Facility Use Tax – Revenue from this tax paid by state employees is returned to the funds from which they were paid, including the general fund. The general fund estimate is calculated by multiplying the estimate for non-general fund (estimated in the "Lodging Taxes" revenue source) by the ratio of the previous lodging facility use tax general fund portion to the total non-general fund portion.

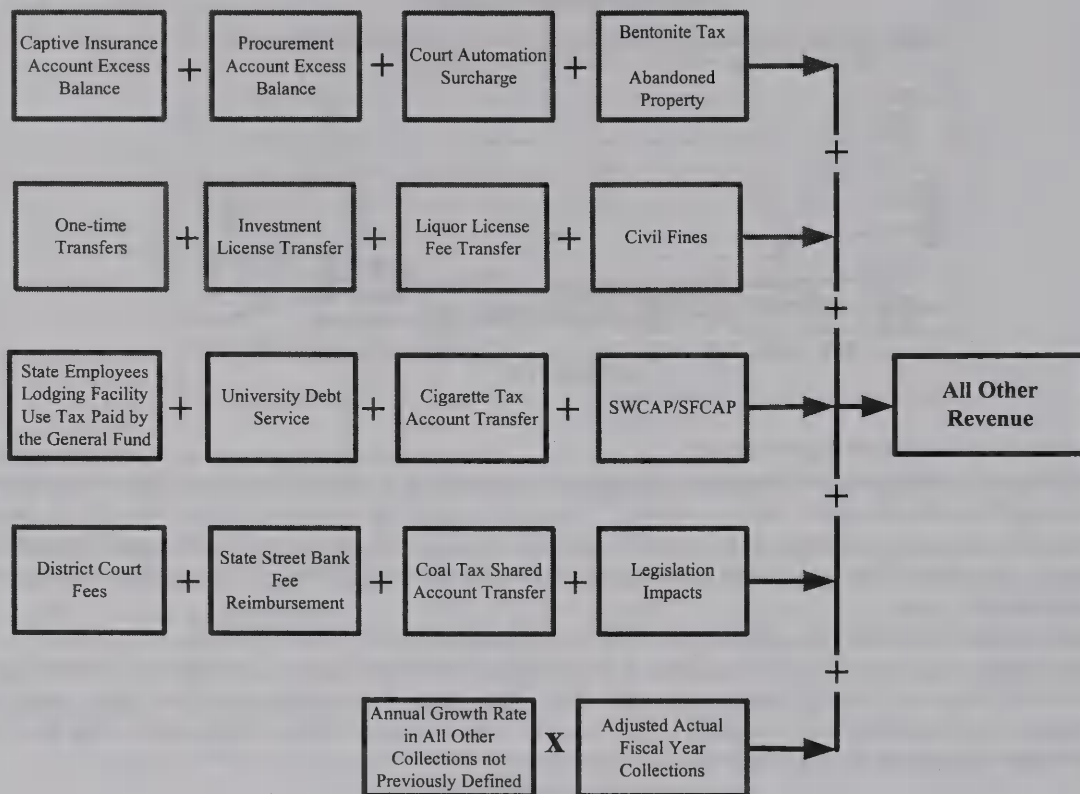


<u>Adjustments and Distribution</u>

Once total revenue for each fiscal year is determined 100 percent of the revenue is distributed to the general fund.

All Other Revenue

Forecast Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Base Millions	Annual Growth	Adjustments Millions	Vet. Account Transfer Millions	One-Time Transfer Millions
Actual	2000	20.488330	20.488330	7.125477	-35.0763%			
Actual	2001	51.821783	51.821783	9.260235	29.9595%			
Actual	2002	43.215892	43.215892	6.401065	-30.8758%	1.162288		
Actual	2003	42.440179	42.440179	7.119579	11.2249%	21.282497		
Actual	2004	30.241562	30.241562	6.201217	-12.8991%	8.189612	1.054958	
Actual	2005	34.724084	34.724084	6.434436	3.7609%	0.000000	2.893230	4.767070
Actual	2006	31.867090	31.867090	7.114255	10.5653%	0.000000	2.652808	0.781063
Actual	2007	19.090874	19.090874	7.520019	5.7035%	0.000000	-4.115855	0.000000
Actual	2008	38.433555	38.433555	7.493960	-0.3465%	0.000000	2.636252	7.821451
Forecast	2009	65.415000	65.415000	7.493960	0.0000%	0.000000	0.990250	32.915000
Forecast	2010	32.126000	32.126000	7.493960	0.0000%	0.000000	3.066095	0.000000
Forecast	2011	32.831000	32.831000	7.493960	0.0000%	0.000000	3.254628	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

	t Fiscal	Investment Transfer Millions	Land Grant Millions	Civil Fines Millions	GVW Fees Millions	Accom. Tax Millions	MSU&EMC Debt Millions	SABHRS Debt Millions
Actual	2000	2.296258	0.086129	0.439498	1.275935	0.016878	0.495693	2.506520
Actual	2001	2.445000	0.091699	0.484739	1.252221	0.052215	0.837170	2.490067
Actual	2002	2.179165	0.000000	0.749382	1.044512	0.038912	0.839583	2.468857
Actual	2003	2.036200	0.000000	0.480945	1.071278	0.032547	0.838186	2.050913
Actual	2004	2.113000	0.000000	0.855870	1.067278	0.040021	0.837743	0.000000
Actual	2005	2.110000	0.000000	0.442752	1.100125	0.048903	0.833016	0.000000
Actual	2006	2.234000	0.000000	1.238230	1.304052	0.061096	0.831704	0.000000
Actual	2007	2.977013	0.000000	0.872801	0.078732	0.071144	0.251949	0.000000
Actual	2008	3.309251	0.000000	0.761666	-0.034714	0.080180	0.694164	0.000000
Forecast	2009	3.003000	0.000000	4.761666	0.000000	0.080000	0.697341	0.000000
Forecast	2010	3.011000	0.000000	0.761666	0.000000	0.082000	0.466249	0.000000
Forecast	2011	3.488000	0.000000	0.761666	0.000000	0.085000	0.000000	0.000000

	t Fiscal	FEMA Millions	Coal Transfer Millions	SFCAP SWCAP Millions	Liquor License Transfer Millions	District Court Millions	Bank Charges Millions
Actual	2000	0.000000	0.000000	2.486250	0.000000	0.000000	0.000000
Actual	2001	31.097802	0.611432	0.949777	0.000000	0.000000	0.000000
Actual	2002	23.246341	0.623227	1.023875	1.036184	0.000000	0.777640
Actual	2003	0.000000	0.000000	1.179279	0.558198	2.664891	0.771108
Actual	2004	0.145792	0.000000	2.214579	0.734102	2.839310	0.766000
Actual	2005	5.540426	0.684019	2.514237	0.431146	3.009058	0.736556
Actual	2006	3.535414	0.550453	1.844039	0.305976	3.107784	0.902735
Actual	2007	0.302060	0.536230	1.722981	0.436316	3.134942	0.866971
Actual	2008	0.088273	0.000000	2.399295	1.407218	3.349474	1.334035
Forecast	2009	0.000000	0.607935	2.785109	1.190645	3.578687	1.500000
Forecast	2010	0.000000	0.385847	4.034066	1.265316	3.823586	1.500000
Forecast	2011	0.000000	0.000000	4.235768	1.262636	4.085244	1.500000

	t Fiscal	Abandoned Property Millions	Court Surcharge Millions	Bentonite Millions	Captive Account Millions	Procurement Account Millions
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003					
Actual	2004					
Actual	2005					
Actual	2006	3.310185	1.589184	0.504112		
Actual	2007	2.358695	1.659546	0.417330		
Actual	2008	4.253455	1.615904	0.563727	0.023101	
Forecast	2009	3.256705	1.573410	0.563727	0.007833	0.409333
Forecast	2010	3.256705	1.532033	0.563727	0.071850	0.811341
Forecast	2011	3.256705	1.491744	0.563727	0.124268	1.227121

Total Rev. = Base * (1+ Annual Growth) + Vet. Account Transfer + Investment Transfer + Civil Fines + GVW Fees + Accom. Tax + MSU/EMC Debt + Coal Transfer + SFCAP/SWCAP + Liquor License Transfer + District Court + Bank Charges + Court Automation + Abandoned Property + Bentonite + Captive Account + Procurement Account

Total Rev. = GF Rev.

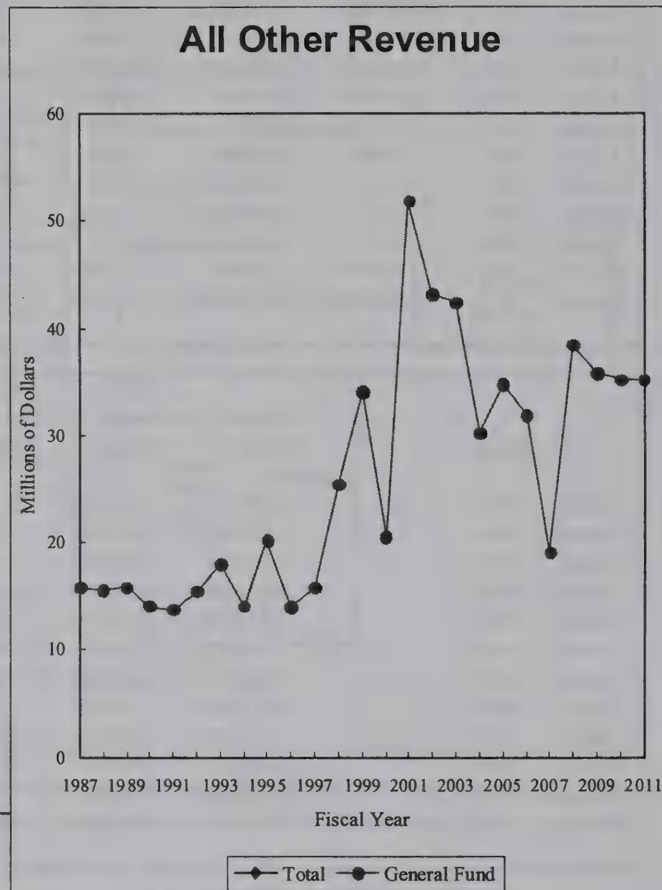
Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	15.768806	15.768806	Not App.
A	1988	15.558294	15.558294	-1.33%
A	1989	15.834736	15.834736	1.78%
A	1990	14.097344	14.097344	-10.97%
A	1991	13.741633	13.741633	-2.52%
A	1992	15.466237	15.466237	12.55%
A	1993	17.993470	17.993470	16.34%
A	1994	14.105385	14.105385	-21.61%
A	1995	20.217103	20.217103	43.33%
A	1996	14.000938	14.000938	-30.75%
A	1997	15.822433	15.822433	13.01%
A	1998	25.427788	25.427788	60.71%
A	1999	34.096246	34.096246	34.09%
A	2000	20.488330	20.488330	-39.91%
A	2001	51.821783	51.821783	152.93%
A	2002	43.215892	43.215892	-16.61%
A	2003	42.440179	42.440179	-1.79%
A	2004	30.241562	30.241562	-28.74%
A	2005	34.724084	34.724084	14.82%
A	2006	31.867090	31.867090	-8.23%
A	2007	19.090874	19.090874	-40.09%
A	2008	38.433555	38.433555	101.32%
F	2009	35.850000	35.850000	-6.72%
F	2010	35.247000	35.247000	-1.68%
F	2011	35.192000	35.192000	-0.16%



Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

Revenue Description: The Montana Highway Patrol issues citations for speeding, driving under the influence of alcohol or drugs, and other misdemeanors. The fines and forfeitures associated with these citations are collected by various state and local courts.

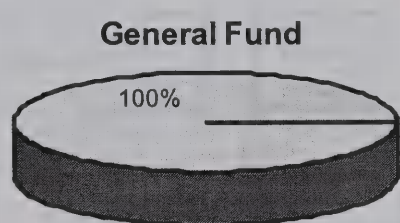
Statutory Reference:

Tax Rate (MCA) – general fines (61-3-601, 61-5-307, 61-7-118, 61-8-711, 61-9-511), multiple others
Tax Distribution (MCA) – 3-10-601 (fines collected in justice court are included in "All Other General Fund"), 61-10-148 (violations of vehicle size, weight & load), 61-12-701 (fines by Highway Patrol)
Date Due – upon conviction

Applicable Tax Rate(s): Fines for citations are variable.

Distribution: All of Highway Patrol fines and forfeitures on all offenses that result from citations issued by the Highway Patrol, except those paid to a justices' court, and received by the state are deposited in the general fund.

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.30%
FY 2005 – 0.28%
FY 2006 – 0.25%
FY 2007 – 0.23%
FY 2008 – 0.21%

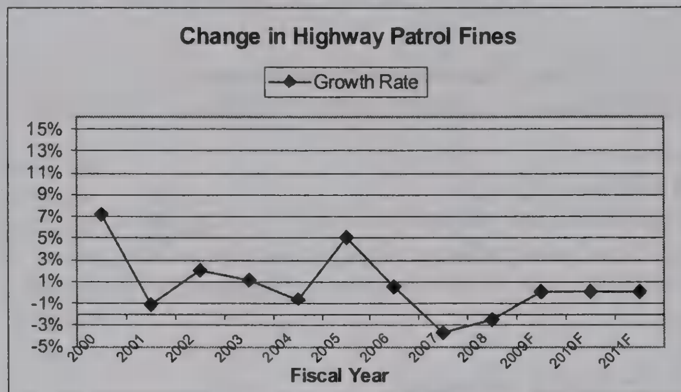
Revenue Estimate Methodology:

The estimate for the highway patrol fine revenue is derived by estimating a growth rate for each of the fiscal years for the 3-year period in question.

Data
Data from the statewide accounting system (SABHRS) provide a history of highway patrol fine revenue.

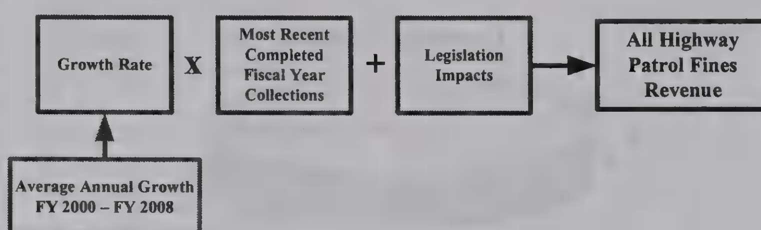
Analysis
The estimate for highway patrol fines is derived by multiplying the revenue amount from the last known fiscal year and all subsequent years by a growth factor. The growth factor is the average annual growth between FY 2000 and FY 2008. Legislation impacts, if any, are added.

Highway Patrol Fines



<u>Adjustments and Distribution</u>
Once total tax revenue for each fiscal year is determined, the applicable distribution percentage, 100 percent to the general fund, is applied.

Forecast Methodology



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

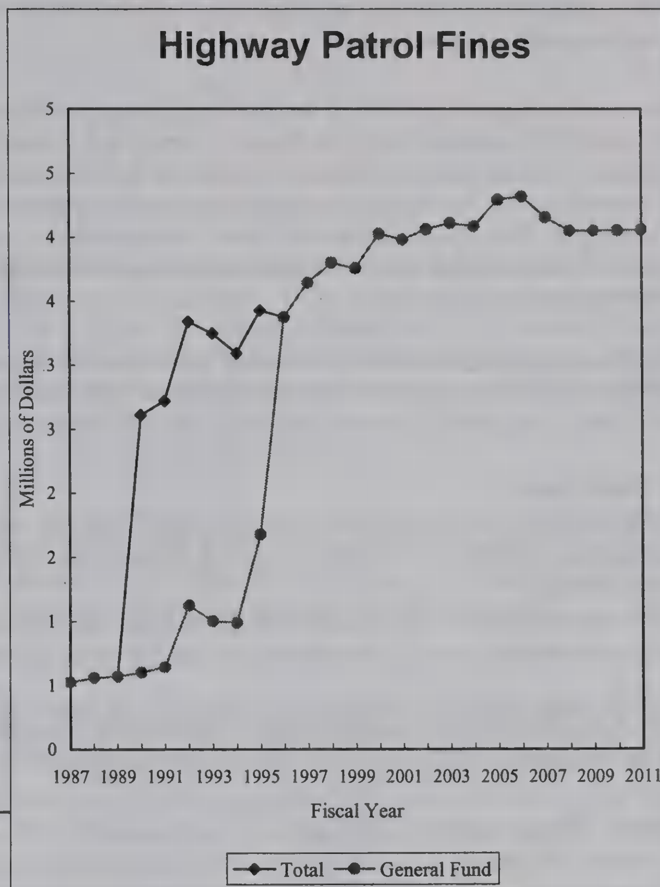
	t Fiscal	Total Tax Millions	GF Tax Millions	Fine Growth Rate
Actual	2000	4.027557	4.027557	0.071580
Actual	2001	3.980688	3.980688	-0.011637
Actual	2002	4.061733	4.061733	0.020360
Actual	2003	4.109703	4.109703	0.011810
Actual	2004	4.084340	4.084340	-0.006171
Actual	2005	4.292730	4.292730	0.051022
Actual	2006	4.316381	4.316381	0.005510
Actual	2007	4.155144	4.155144	-0.037355
Actual	2008	4.049390	4.049390	-0.025451
Forecast	2009	4.052000	4.052000	0.000676
Forecast	2010	4.055000	4.055000	0.000676
Forecast	2011	4.058000	4.058000	0.000676

Total Tax = Prevous year * (1 + Growth Rate)
GF Tax = Total Tax

Highway Patrol Fines

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.525734	0.525734	Not App.
A	1988	0.558292	0.558292	6.19%
A	1989	0.570900	0.570900	2.26%
A	1990	2.609737	0.602244	5.49%
A	1991	2.720146	0.644476	7.01%
A	1992	3.339020	1.122195	74.13%
A	1993	3.245957	0.999230	-10.96%
A	1994	3.091071	0.988376	-1.09%
A	1995	3.425943	1.672991	69.27%
A	1996	3.373631	3.373631	101.65%
A	1997	3.643555	3.643555	8.00%
A	1998	3.800656	3.800656	4.31%
A	1999	3.758521	3.758521	-1.11%
A	2000	4.027557	4.027557	7.16%
A	2001	3.980688	3.980688	-1.16%
A	2002	4.061733	4.061733	2.04%
A	2003	4.109703	4.109703	1.18%
A	2004	4.084340	4.084340	-0.62%
A	2005	4.292730	4.292730	5.10%
A	2006	4.316381	4.316381	0.55%
A	2007	4.155144	4.155144	-3.74%
A	2008	4.049390	4.049390	-2.55%
F	2009	4.052000	4.052000	0.06%
F	2010	4.055000	4.055000	0.07%
F	2011	4.058000	4.058000	0.07%



Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Revenue Description: This source consists of two similar utilization fees on nursing homes: 1) nursing facility utilization fee; and 2) intermediate care facility utilization fee.

With the enactment of House Bill 749 by the 2005 Legislature, qualified nursing facilities are required to pay a nursing facility utilization fee of $8.30 for each bed day in the facility. Nursing facilities are health care facilities licensed by the Department of Public Health and Human Services and include those operated for profit or non-profit, freestanding or part of another health facility, and publicly or privately owned. Specifically included by statute is the Montana Mental Health Nursing Care Center. According to federal definitions, nursing facilities do not include adult foster homes, retirement homes, and other alternative living arrangements. Bed days are defined as a 24-hour period in which a resident of a nursing facility is present in the facility or in which a bed is held for a resident while on temporary leave.

An intermediate care facility utilization fee is imposed on resident bed days of intermediate care facilities for the mentally retarded. The only qualifying facility is the Montana Developmental Center. With the enactment of Senate Bill 82 by the 2005 Legislature, the fee is six percent of a facility's quarterly revenue divided by the quarterly bed days.

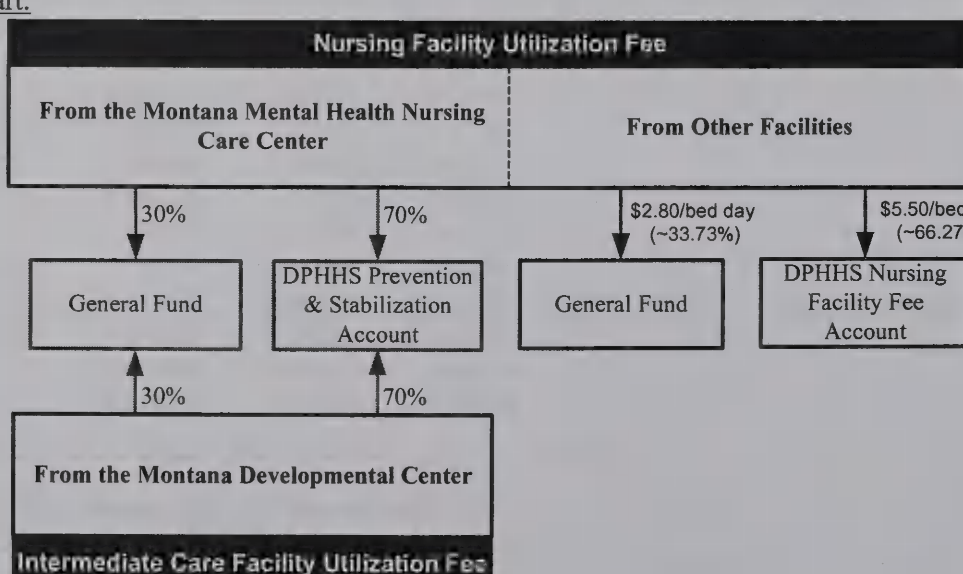
Statutory Reference:

Tax Rate (MCA) – Nursing facility utilization fee (15-60-102), intermediate care facility utilization fee (15-67-102(2))
Tax Distribution (MCA) – Nursing facility utilization fee (15-60-102 & 15-60-210), intermediate care facility utilization fee (15-67-102(3))
Date Due – Nursing facility utilization fee due the last day of the month following the close of the calendar quarter (15-60-201), intermediate care facility utilization fee due the month following the close of the calendar quarter (15-67-201(1))

Applicable Tax Rate(s): 1) Nursing facility utilization fee – $8.30 per bed day; 2) Intermediate care facility utilization fee - 6 percent of a facility's quarterly revenue divided by the quarterly bed days

Distribution: Nursing facility utilization fee: 1) for fees paid by the Montana Mental Health Nursing Care Center – 30 percent to the general fund and 70 percent to the prevention and stabilization account (for use by the Department of Public Health and Human Services to provide health and human services); 2) for all other facilities - $2.80/bed day to the general fund, and $5.50/bed day to the nursing facility fee account (for use by the Department of Public Health and Human Services to increase the average price paid for Medicaid nursing home services). Intermediate care facility utilization fee: for fees paid by the Montana Developmental Center - 30 percent to the general fund and 70 percent to the prevention and stabilization account.

Distribution Chart:



Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.43%
FY 2005 – 0.39%
FY 2006 – 0.33%
FY 2007 – 0.31%
FY 2008 – 0.29%

Revenue Estimate Methodology:

Data

To create the nursing facility fees projection, data are obtained from the Department of Revenue (DOR), the Department of Public Health and Human Services (DPHHS), and the state accounting system (SABHRS). DOR provides the number of taxable bed days occupied by clientele of private and state run nursing homes. DPHHS provides counts on the bed days at the Montana Developmental Center (MDC) and total revenues collected, which are used in the calculation of the intermediate care facility fee. SABHRS data provides aggregate historic collections of the nursing facility fees. No adjustments to the raw data are required in the data step for the nursing facility fee analysis.

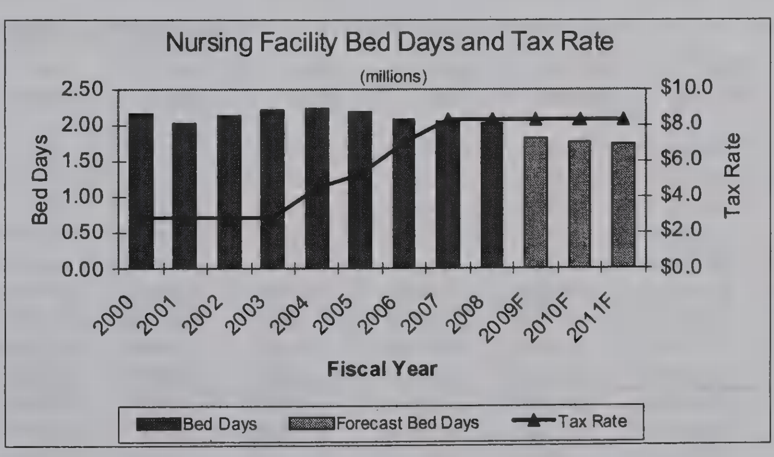
Analysis

Nursing facility fees consist of two distinct fees, the nursing facility fee and the intermediate care facility fee. Consequently, two techniques are required to estimate the collection of these fees. The nursing facility fees are estimated using a log model to project future bed days at nursing care facilities. MDC is the only intermediate care facility in Montana and the only facility subject to the intermediate care facility fee. The intermediate facility fee is projected by applying a growth rate to the last year of actual revenue collections at MDC, fiscal 2008.

Total nursing fee revenue has increased since fiscal 2003, as a result of fee increases and new fees, but as seen in the figure below the number of taxable bed days at nursing care facilities has declined at the same time. Overall, taxable bed days have been in decline since the fee was imposed in the mid 1990's. Consequently, taxable nursing facility bed days are projected with a log model which smoothes the excessive variability in the data for the purpose of measurement. To obtain the projection for nursing facility fees, the following equation is employed:

$$\textbf{Projected Nursing Facility Fees} = \textbf{TBD}_{\textbf{NCF}} * \textbf{NFFR}$$

Where:
TBD_{NCF} = Taxable Bed Days, Nursing Care Facilities
NFFR = Nursing Facility Fee Rate



The statistics of fit show that a logarithmic curve accurately measures the rate of growth in the number of taxable nursing facility bed days in Montana. The model has an R^2 rating of 0.957. This means that the linear trend explains 95.7 percent of the variability of the number of taxable nursing facility bed days in Montana, when all other impacts are held constant. *The model projects compound growth of approximately -5.1 percent per fiscal year resulting in bed day projections of 1.81 million, 1.77 million, and 1.73 million in fiscal 2009 through fiscal 2011, respectively. By applying the current fee of $8.30 to the projected taxable bed days, the resulting

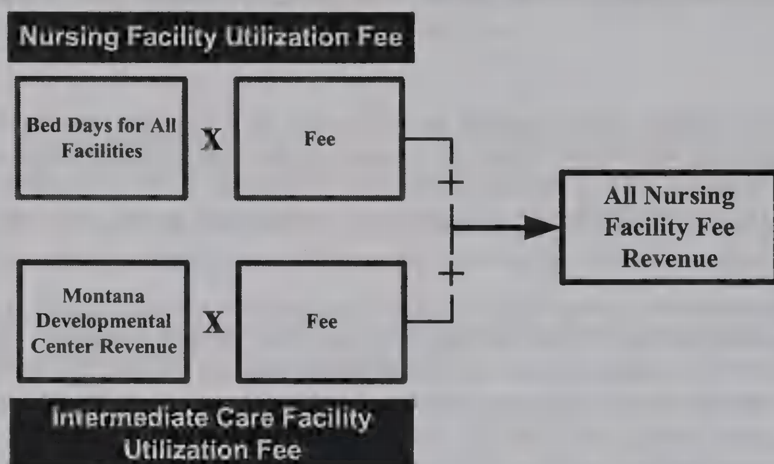
projections are $15.0 million, $14.7 million, and $14.3 million in fiscal 2009 through fiscal 2011, respectively.

The intermediate care facility fee is assessed against the per-bed day receipts of the facility. Because the intermediate care facility fee is a relatively new fee, there is only a limited amount of data to use in the projection of future fee collections. As a result, the fee is projected by applying the rate of growth in the revenues previous year of actual collection. The rate of revenue growth at MDC between fiscal year 2008 was 1.5 percent. In applying that rate of growth to the fiscal 2008 base, projections equal $15.1 million in fiscal 2009, $15.3 million in fiscal 2010, and $15.5 million in fiscal 2011. Next, the tax is applied to the estimate of total intermediate care facility bed day receipts.

Finally, the fiscal year projections then are summed to provide the total nursing facility fees estimates. The resulting estimates are $15.9 million in fiscal 2009, $15.6 million in fiscal 2010, and $15.3 million in fiscal 2011.

*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

Forecast Methodology:



Revenue Estimate Assumptions:

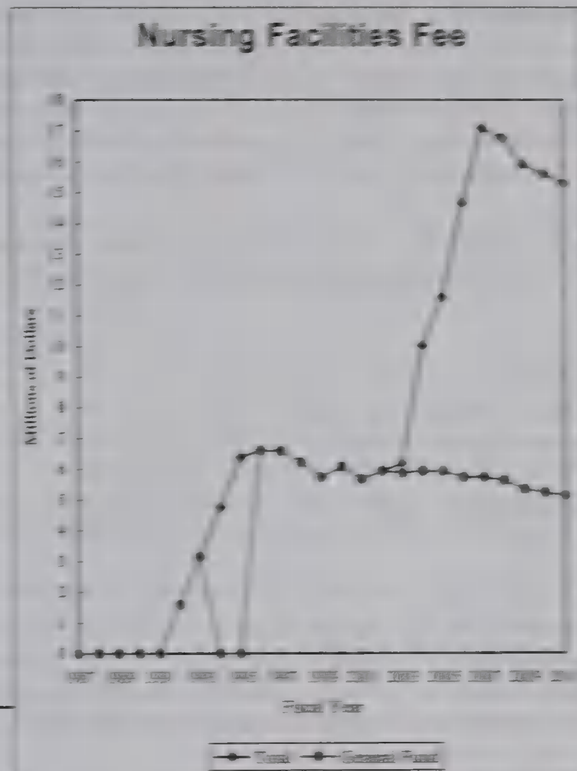
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Nursing Facilities Fee	Bed Days	Intermediate Care Rate	Intermediate Care Revenue	MMHNCC Tax Millions
Actual	2000	6.054947	6.054947	2.800000	2.113805			
Actual	2001	5.655978	5.655978	2.800000	2.083501			
Actual	2002	5.918173	5.918173	2.800000	2.072696			
Actual	2003	6.178135	5.859870	2.800000	2.052202	5.0000%	11.131460	
Actual	2004	10.021866	5.915841	4.500000	2.043377	5.0000%	17.260720	
Actual	2005	11.602112	5.911586	5.300000	1.979893	5.0000%	16.438460	
Actual	2006	14.649976	5.711693	7.050000	1.924611	6.0000%	14.953783	
Actual	2007	17.073592	5.716794	8.300000	1.901236	6.0000%	14.624700	
Actual	2008	16.758718	5.610098	8.300000	1.803945	6.0000%	14.844850	0.251864
Forecast	2009	15.891000	5.318000	8.300000	1.805700	6.0000%	15.068073	0.250204
Forecast	2010	15.583000	5.213000	8.300000	1.767000	6.0000%	15.294766	0.250204
Forecast	2011	15.276000	5.109000	8.300000	1.728300	6.0000%	15.524870	0.250204

Total Tax = Nursing Facilities * Bed + Intermediate Care Rate * Intermediate Care Revenue
GF Tax = MMHNCC * 30% + (Nursing Fee * Bed Days - MMHNCC) * $2.80/$8.30 +
Care Revenue * Care Rate * 30%

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	1.587431	1.587431	Not App.
A	1993	3.131331	3.131331	97.26%
A	1994	4.739832	0.000000	-100.00%
A	1995	6.364177	0.000000	Not App.
A	1996	6.579620	6.579620	Not App.
A	1997	6.572123	6.572123	-0.11%
A	1998	6.200413	6.200413	-5.66%
A	1999	5.713357	5.713357	-7.86%
A	2000	6.054947	6.054947	5.98%
A	2001	5.655978	5.655978	-6.59%
A	2002	5.918173	5.918173	4.64%
A	2003	6.178135	5.859870	-0.99%
A	2004	10.021866	5.915841	0.96%
A	2005	11.602112	5.911586	-0.07%
A	2006	14.640976	5.711695	-3.38%
A	2007	17.173592	5.716764	0.09%
A	2008	16.758719	5.610098	-1.87%
F	2009	15.891000	5.318000	-5.21%
F	2010	15.583000	5.213000	-1.97%
F	2011	15.276000	5.109000	-2.00%



Legislative Fiscal Division
Revenue Estimate Profile
Public Institution Reimbursements

Revenue Description: The Department of Public Health and Human Services receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center (MDC), the Montana Mental Health Nursing Care Center (MMHNCC), Montana State Hospital (MSH), Montana Chemical Dependency Treatment Center (MCDC), and the Montana Veterans' Home (MVH). There are four sources of reimbursement income: 1) state and federally matched Medicaid monies; 2) insurance proceeds from companies with whom the resident is insured; 3) payments by residents or persons legally responsible for them; and 4) federal Medicare funds. Most of the reimbursements come from federal Medicaid payments.

Three variables determine the level of Medicaid nursing home payments: 1) the number of patient days eligible for Medicaid reimbursement; 2) the reimbursement rate per patient day; and 3) the private resources of Medicaid patients.

Statutory Reference:

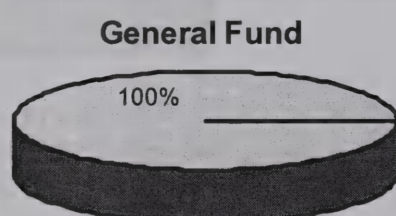
Tax Rate (MCA) – 53-1-402 (requirement to pay)
Tax Distribution (MCA) – 53-1-413
Date Due – monthly (53-1-405(3)

Applicable Tax Rate(s): N/A

Distribution: Revenue collected from the above sources is deposited in the general fund with the following exceptions:

1. Reimbursements from MDC and MSH are first used to pay debt service on bonds issued to fund construction at these facilities. The remainder is deposited into the general fund.
2. Reimbursements received for the Veterans' Home and Montana Chemical Dependency Treatment Center are deposited into a state special revenue account and appropriated to the institutions.

Distribution Chart:



Summary of Legislative Action:

House Bill 132 – The Department of Public Health and Human Services receives revenue from counties for the pre-commitment costs of individuals facing involuntary commitments. The legislation is expected to reduce the number of involuntary commitments by allowing professionals to defer individuals to short-term inpatient treatment programs instead of committal. Consequently, general fund is reduced $252,706 in FY 2011 (and subsequent years). The legislation is effective July 1, 2009.

House Bill 645 – The Department of Public Health and Human Services receives reimbursements from the federal government for institutional costs of individuals covered by Medicaid and Medicare, as calculated through the Federal Medical Assistance Percentage (FMAP) rate. Federal, personal, and individual medical reimbursements are deposited to the general fund as public institution reimbursements. With the passage of the 2009 American Recovery and Reinvestment Act (ARRA) by the congress, the FMAP rate was increased, thus increasing anticipated federal reimbursements. The FMAP increase is designated in HB 645. General fund revenue increases $1,124,397 in FY 2009, $1,635,321 in FY 2010, and $607,734 in FY 2011. The legislation is effective on passage and approval.

Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Public Institution Reimbursements -- Legislation Passed by 61st Legislature
Estimated General Fund Impact for Fiscal 2009,2010,2011

Bill Number and Short Title	Fiscal 2009	Fiscal 2010	Fiscal 2011
HB0132 Diversion from involuntary commitment to short-term inpatient treatment			(252,706)
HB0645 Implement receipt of and appropriate federal stimulus and recovery funds	1,124,397	1,635,321	607,734

% of Total General Fund Revenue:

FY 2004 – 1.31%
FY 2005 – 0.82%
FY 2006 – 0.75%
FY 2007 – 0.58%
FY 2008 – 0.78%

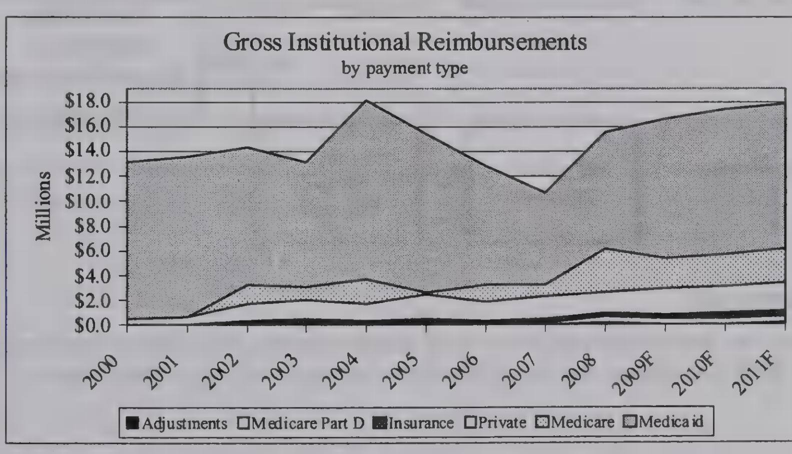
Revenue Estimate Methodology:

Data

Data are collected from the Department of Public Health and Human Services (DPHHS) and the state accounting system (SABHRS) to develop the estimate for the public institution reimbursements. In addition to residency data, DPHHS provides the data used to develop relationships of payment patterns of individuals and insurance companies to the federal government reimbursements (Medicaid and Medicare). DPHHS also provides estimates on future Federal Medical Assistance Percentage (FMAP) rates. SABHRS provides historical data used to assess the accuracy of the estimates.

Analysis

The largest component of Montana's institutional reimbursements is Medicaid, as seen in the figure below. Medicaid and Medicare payments are responsible for most of the variability in reimbursement collections. Consequently, the variability can in large part be attributed to the changes in the FMAP rates for the state. The FMAP rates are set annually based on the state's relative per capita income. States like Montana, with a relatively low per capita income and a higher FMAP rate, receive more federal assistance than states with a higher per capita income. If the state per capita income rises in relation to other states, the FMAP rate and federal reimbursements will decline. In the 2011 biennium, the FMAP is expected to decline from approximately 68.6 percent in fiscal 2008 to 67.1 percent in fiscal 2011. Most of the Medicare payments result from billings at Montana State Hospital (MSH), while most Medicaid payments are generated through care at the Montana Mental Health Care Center (MMHCC).



Estimates for institutional reimbursements are derived using average daily population (ADP) estimates and reimbursement rates provided by DPHHS for three state hospitals: the Montana Dependency Center (MDC), MMHCC, and MSH. Both the ADP and the facility rates are estimated with expected growth percentages. The ADP is adjusted by Medicare and Medicaid eligibility rates, as determined by DPHHS. The FMAP rate, provided to DPHHS in terms of federal fiscal year, is adjusted for the state fiscal year. The equation for calculating the reimbursements for each facility follows:

$$\textbf{Reimbursements}=(ADP_I*Rate_I)+(ADP_P*Rate_P)+(ADP_{MR}*Elig_{MR}*Rate_{MR}*FMAP)+(ADP_{MD}*Elig_{MD}*Rate_{MD}*FMAP_{MD})$$

Where:

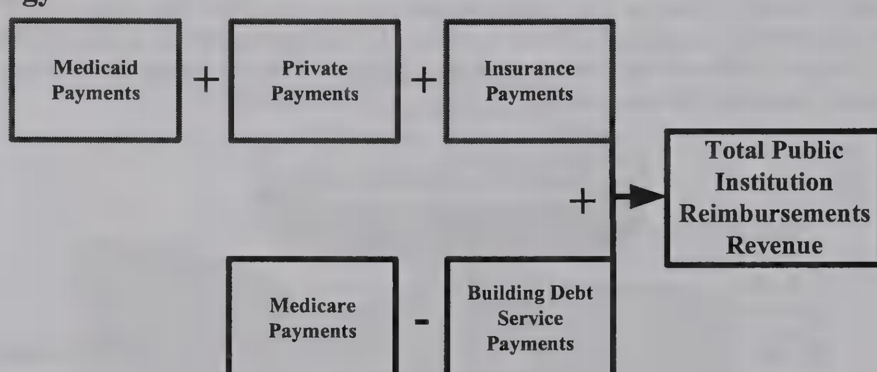
ADP = Average Daily Population
I = Insurance
P = Private
MR = Medicare
MD = Medicaid
ELIG = Eligibility Rate
FMAP = Federal Medical Percentage

According to DPHHS, bed days are expected to remain relatively constant at MDC and MMHNCC. Bed days at MSH are expected to decline from the "over capacity" number of bed days charged in fiscal 2008. The state fiscal year FMAP rates are expected to be 68.2 percent, 67.4 percent, and 67.0 percent in fiscal years 2009 through 2011, respectively. Private rates and insurance rates are expected to grow slowly over the biennium at all three facilities. The estimates for total private payments are estimated to be $2.0 million, $2.1 million, and $2.2 million for fiscal years 2009 through 2011, respectively. The estimates for insurance payments are $379,187; $386,450; and $393,819 for fiscal 2009 through fiscal 2011. Medicaid payments are expected to be $11.2 million, $11.7 million, and $11.7 million through the three years of this analysis. Medicare payments are estimated to average $2.6 million per year over the three-year period. New since FY 2006 are Medicare Part D reimbursements to MMHCC. Medicare Part D is reimbursed at an average rate of $45.00/eligible bed day, and the reimbursements are estimated to be approximately $518,000 annually. The final step in creating the reimbursement estimate is to combine the estimates by payment type estimates. When combined, the estimate for gross reimbursements is $16.6 million in fiscal 2009, $17.3 million in fiscal 2010, and $17.6 million in fiscal 2011.

Adjustment and Distribution

Two adjustments are required to complete the estimates for institutional reimbursements. Gross reimbursements must be reduced by two debt service payments in each fiscal year. The debt service is the result of bonds issued for the purpose of facility upgrades. After subtracting the debt service reimbursement collections are $13.7 million in fiscal 2009, $14.4 million in fiscal 2010, and $14.7 million in fiscal 2011.

Forecast Methodology



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

	t Fiscal	Total Rev. Millions	GF Rev. Millions	Private Millions	Insurance Millions	Medicaid Millions	Medicare Millions
Actual	2000	11.345440	11.345440	0.512403	0.000257	12.490967	0.003044
Actual	2001	13.553585	13.553585	0.649965	0.000498	12.887899	0.015223
Actual	2002	14.282894	14.282894	1.483431	0.317047	10.994744	1.487671
Actual	2003	13.042526	13.042526	1.564208	0.451974	9.900342	1.126001
Actual	2004	18.110443	18.110443	1.424453	0.311203	14.336601	2.038187
Actual	2005	12.508688	12.508688	1.887627	0.556631	12.631385	0.210973
Actual	2006	12.727569	12.727569	1.534775	0.283624	9.531139	1.273948
Actual	2007	10.669017	10.669017	1.850027	0.187443	7.472999	0.867377
Actual	2008	15.334683	15.334683	1.646587	0.345821	9.391640	3.455721
Forecast	2009	13.658000	13.658000	2.047661	0.379187	11.201955	2.459248
Forecast	2010	14.412000	14.412000	2.132988	0.386450	11.690758	2.612300
Forecast	2011	14.675000	14.675000	2.217876	0.393819	11.671082	2.781055

	t Fiscal	MDC Debt Millions	MSH Debt Millions	Adjustments Millions	Medicare Part D Millions
Actual	2000	0.965496	0.000000		
Actual	2001	1.079220	1.909252	0.000000	
Actual	2002	1.075405	1.911032	0.000000	
Actual	2003	1.045873	1.776461	-1.572893	
Actual	2004	0.868888	1.752261	-3.180119	
Actual	2005	1.005833	1.785072	0.012977	
Actual	2006	0.950665	1.775375	0.000000	0.104083
Actual	2007	0.958509	1.792631	0.000000	0.291171
Actual	2008	0.982030	1.796631	0.000000	0.494915
Forecast	2009	1.016810	1.909688	0.000000	0.496479
Forecast	2010	1.015060	1.912885	0.000000	0.517828
Forecast	2011	1.015788	1.912643	0.000000	0.540094

Total Rev. = Private = Insurance + Medicaid + Medicare - MDC Debt - MSH Debt + Adjustments + Medicare Part D
GF Rev. = Total Rev.

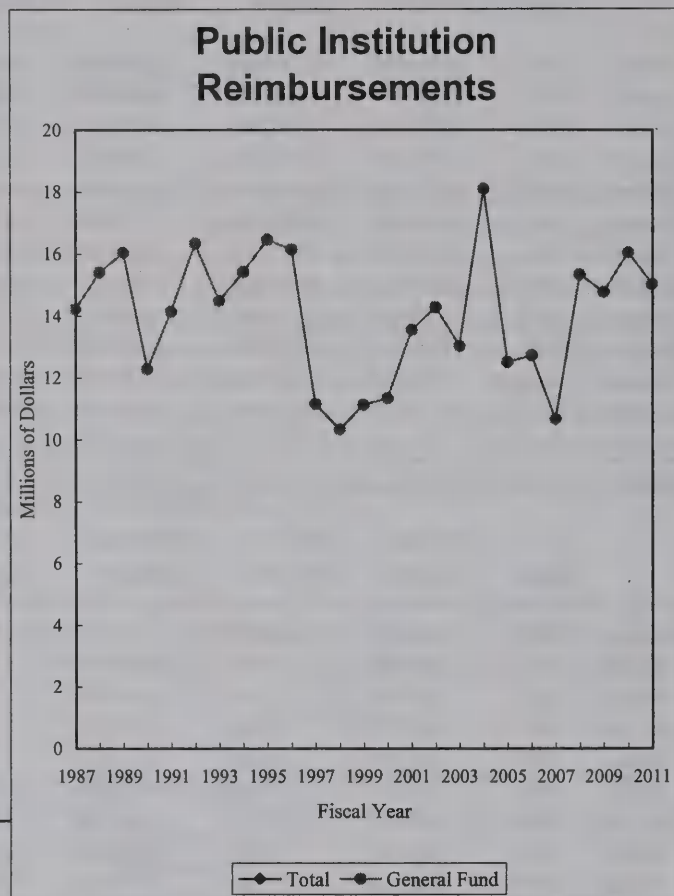
Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	14.215767	14.215767	Not App.
A	1988	15.395310	15.395310	8.30%
A	1989	16.031423	16.031423	4.13%
A	1990	12.284668	12.284668	-23.37%
A	1991	14.140931	14.140931	15.11%
A	1992	16.329459	16.329459	15.48%
A	1993	14.486422	14.486422	-11.29%
A	1994	15.414542	15.414542	6.41%
A	1995	16.455809	16.455809	6.76%
A	1996	16.141901	16.141901	-1.91%
A	1997	11.158482	11.158482	-30.87%
A	1998	10.335336	10.335336	-7.38%
A	1999	11.135977	11.135977	7.75%
A	2000	11.345440	11.345440	1.88%
A	2001	13.553585	13.553585	19.46%
A	2002	14.282894	14.282894	5.38%
A	2003	13.042526	13.042526	-8.68%
A	2004	18.110443	18.110443	38.86%
A	2005	12.508688	12.508688	-30.93%
A	2006	12.727569	12.727569	1.75%
A	2007	10.669017	10.669017	-16.17%
A	2008	15.334683	15.334683	43.73%
F	2009	14.782000	14.782000	-3.60%
F	2010	16.047000	16.047000	8.56%
F	2011	15.030000	15.030000	-6.34%



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Revenue Description: Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with four original tobacco companies and 56 subsequent companies to end a four-year legal battle with 46 states, Puerto Rico, American Samoa, the U.S. Virgin Islands, the North Mariana Island, Guam and the District of Columbia (52 total settling entities).

Montana is eligible for four types of payments: 1) reimbursement for legal costs (received December 1999); 2) five initial payments (Two were received in fiscal 2000 and one each year was received in fiscal years 2001, 2002, and 2003); 3) on-going, perpetual annual payments; and 4) strategic contribution payments (from fiscal years 2008 through 2017). The MSA places no restrictions on how the settling parties spend the money.

The total amount of tobacco settlement funds available to Montana is affected by a number of adjustments. These may include inflation, sales volume changes, non-participating manufacturers (NPM) adjustment for the loss of market shares, operating income of the original four tobacco companies, number and operating income of subsequent participating manufactures, number of states reaching state specific finality, settlements reached by the four states not party to the agreement (Florida, Texas, Minnesota, and Mississippi), litigation offsets, disputed payments, and federal tobacco legislation offsets among others.

The reduction for the NPM adjustment was first included in the revenue estimates beginning fiscal 2006. Amounts paid by manufacturers who participate in the MSA may decrease if they have lost market shares and it is proven that a significant portion of the loss (to companies not participating in the MSA) is due to the disadvantages caused by the MSA. An economics firm must determine if this is the case. The adjustment does not apply if a state has enacted "model statutes" and enforced them. Although it has not yet been determined if all these conditions have been met, it is expected that participating manufactures will withhold a portion of their payments in disputed escrow accounts until the matter is resolved, thus reducing payments to the settling entities.

Statutory Reference:

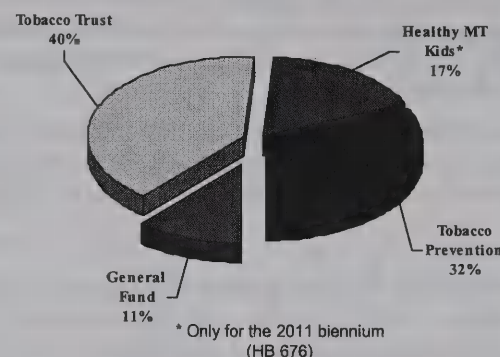
Tax Rate – NA
Tax Distribution (MCA) – Montana Constitution, Article X11, Section 4; 17-6-606; 53-4-1011
Date Due – annual payments from settling entities due April 15th (Master Settlement Agreement, Chapter IX(c)), General Tobacco annual payments through calendar 2016 due August 30th (General Tobacco Adherence Agreement)

Applicable Tax Rate(s): NA

Distribution: Due to passage of Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate no less than 40 percent of tobacco settlement money to a permanent trust fund. Since the legislature has not yet determined the exact percentage to be deposited to the trust fund, the revenue estimate assumes 40 percent. For fiscal 2003, the remaining 60 percent of the money was deposited to the general fund. Due to passage of Initiative 146 by the electorate in November 2002, beginning fiscal 2004, 32 percent of the tobacco settlement money funds tobacco prevention programs and 17 percent of the funds is used for the Children's Health Insurance Program (except in the 2011 biennium [due the enactment of HB 676] when the allocation is used to fund the healthy Montana kids plan). In HB 743, the 2007 Legislature added chronic disease programs to the allowable uses of the 32 percent distribution. The remaining 11 percent of the money is deposited to the general fund.

Legislative Fiscal Division
Revenue Estimate Profile
Tobacco Settlement

Distribution Chart:



Summary of Legislative Action: The 61st Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 - 0.21%
FY 2005 - 0.19%
FY 2006 - 0.16%
FY 2007 - 0.16%
FY 2008 - 0.19%

Revenue Estimate Methodology:

The derivation of the tobacco settlement revenue estimate involves many factors. The Master Settlement Agreement specifies base amounts to be paid by all participating manufacturers, but also allows various adjustments to be made to these payments.

Data

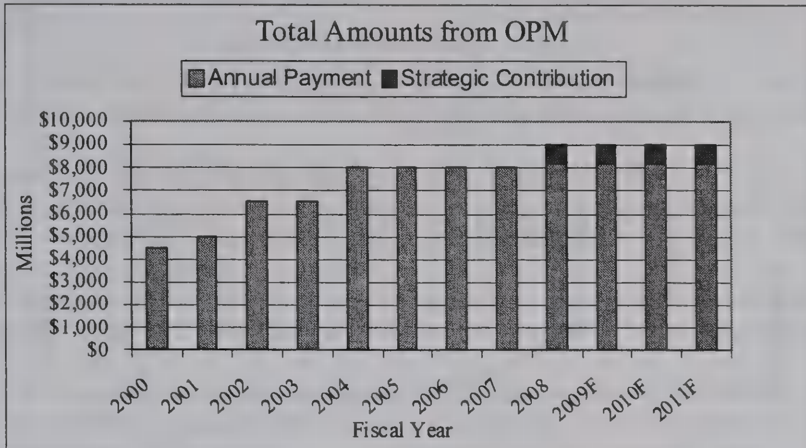
The Master Settlement Agreement, signed by the settling entities and participating tobacco manufacturers (PM), is the driving document for the procedure to use in determining how much the original participating manufacturers (OPM) to the agreement and the subsequent participating manufacturers (SPM) have to pay to the settling entities. PriceWaterhouseCoopers, the independent auditor to the agreement, gathers all the data and makes all the calculations required by the Master Settlement Agreement for determining what the PM owe. Documents produced by PriceWaterhouseCoopers provide the historic data needed to project future payments. Staff at the Montana Attorney General's office and sometimes the National Association of Attorneys General are also consulted. Since an adjustment for a change in volume of cigarettes shipped is necessary, various knowledgeable sources are consulted as to expected changes in smoking or the sale of cigarettes.

Payments

Currently, there are two types of payments from OPM:

1. On-going annual payments to be received April 15th each year of which Montana receives 0.4247591 percent. These payments are to be made in perpetuity and increased in FY 2008; and
2. Strategic contribution payments are to be made from FY 2008 through FY 2017 of which Montana receives 1.0447501 percent.

The table below shows the total of these payments available to all settling entities before any adjustments.

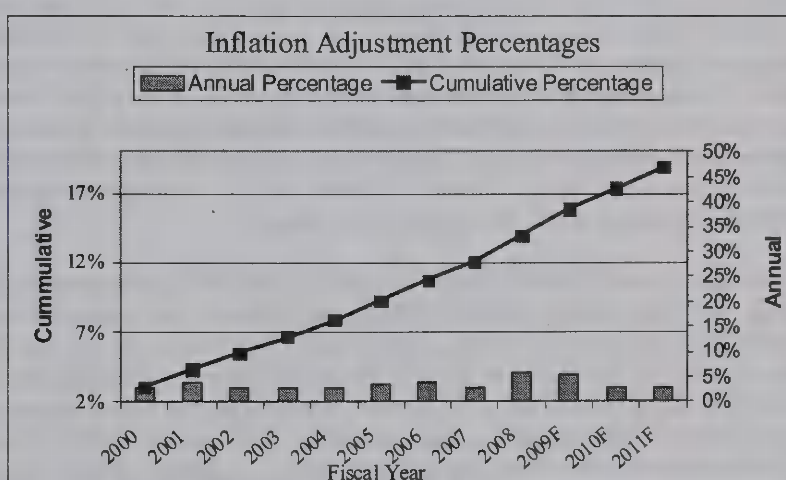


Manufacturers who subsequently participate in the agreement also make payments based on the total annual and strategic contribution payments required by the OPM. The amount of these payments is also subject to various adjustments.

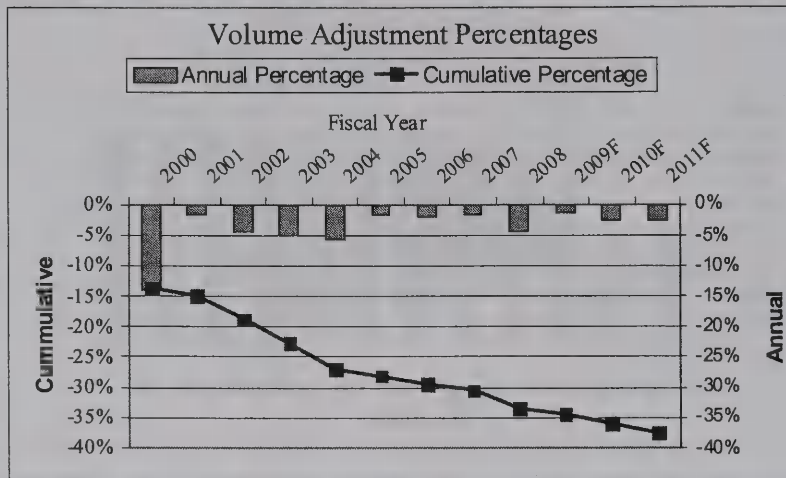
Adjustments

There are five potential adjustments to the payments.

1. Inflation – This adjustment increases the amount owed by PM. The set amounts of the annual and the strategic contribution payments are increased by the greater of 3.0 percent or the amount of the Consumer Price Index for Urban Consumers. The effect is cumulative so that the previous year's inflation percentage is increased by the current year's amount plus the amount of the current year's percentage. The chart shows the annual and cumulative inflation factors.



2. Volume – As the number of cigarettes shipped nationally decreases, payments by PM are reduced. The current number of cigarettes is compared to the 1997 base number of 475.656 billion cigarettes. A proxy for the estimated annual change in the number of cigarettes shipped is determined by developing an estimate for the percentage change in cigarette consumption. For this analysis, the trend (downward) of the number of cigarette shipped from FY 2004 to FY 2008 was applied to the FY 2008 base year and each subsequent year. Like the inflation adjustment, the effect is cumulative so that the previous year's percentage adjustment is increased by the current year's amount plus the amount of the current year's percentage. According to the settlement agreement, the cumulative percentage is then reduced by 2 percent. The chart shows the annual and adjusted cumulative volume factors.



3. Operating income – If the aggregate operating income from the OPM sales of cigarettes exceeds the 1996 base amount of $7,060.840 million, as adjusted for inflation (see above) and by the percentage of states who have finalized acceptance of the agreement (100 percent since calendar 2001), then the dollar amount of the volume reduction is reduced and the amount of OPM payments increases. This adjustment has not been applied since calendar 2000.
4. Previous settling states – Previous to the Master Settlement Agreement, four states had settled lawsuits with certain cigarette manufacturers. The agreement recognized this by allowing reductions to the OPM annual payments (as adjusted for inflation and volume) of 12.45 percent through the FY 2007 payment, 12.24 percent through the FY 2017 payment, and 11.07 percent thereafter.
5. Non-participating manufacturers (NPM) – If tobacco manufacturers who participate in the Master Settlement Agreement lose market share to those manufacturers who do not, their payments <u>may</u> be reduced. It must be shown that there was a loss of market share to NPM and that the disadvantages caused by the agreement were a significant factor contributing to the loss. However, the NPM adjustment does not apply to a state that had a "qualifying statute" in effect for the full year in question and had diligently enforced it. The "qualifying statute" requires a manufacturer who is not a PM to pay into a state-specific escrow account $0.0167539 per cigarette sold in that state in CY 2006 and $0.0188482 thereafter. Money in the account may be used to pay a judgment or settlement against the manufacturer. The Montana legislature enacted SB 359 (1999 session) and HB 663 (2003 session) in response to the agreement (see Title 15, Chapter 11, Parts 4 and 5). Although the agreement's independent auditor calculates the NPM adjustment, it has never applied it to required payments.

   The NPM adjustment is three times the market share loss of PM. Market share loss is determined by subtracting the current year market share of PM from the 1997 base market share of 99.5835 percent less 2.0 percentage points or 97.5835 percent. This percentage difference is multiplied by the annual payment amount adjusted for inflation, volume, and previous settling states. If the computed market share loss exceeds 16-2/3 percent, the formula changes to reduce the percentage adjustment. For this to occur, the change in market share for all PM would have to fall to 80 percent. It is unlikely that this will occur. Based on this formula, the NPM adjustment could reduce Montana's payments by a maximum of $3.7 million in FY 2009, $3.8 million in FY 2010 and $3.9 million in FY 2011, if all the conditions were met. <u>The estimates include a portion of these reductions</u>; not because all the conditions have been met, but because the PM may dispute a portion of a payment. Many PM feel the adjustment should be applied and have subsequently deposited disputed amounts into special escrow accounts until the issue is resolved. However, not all companies dispute the full amount, so the revenue estimate reduces the maximum amount that could be disputed by the same percentage that occurred in the previous year. The end result for the settling entities is that some portion of the money is unavailable even though the adjustment was not applied to the payments. This occurred in the FY 2006 payment when $3.5 million was withheld from Montana's payment. In FY 2007, $3.0 million was withheld and $2.3 million was withheld in FY 2008. It is anticipated that PM will continue to dispute a portion of future payments.

<u>Analysis</u>

Once adjustments amounts have been calculated, the applicable adjustments to the OPM and SMP payments can be applied and other revenue components calculated.

OPM Annual Payment - The estimate for tobacco settlement revenue from OPM is derived by first multiplying the payment amount by 1 plus the cumulative percentages for the inflation and volume adjustments and the previous settled states' percentage then adding the dollar amount of the operating income adjustment (zero) and the NPM adjustment. To this total amount, Montana's allocation of

0.4247591 percent is applied.

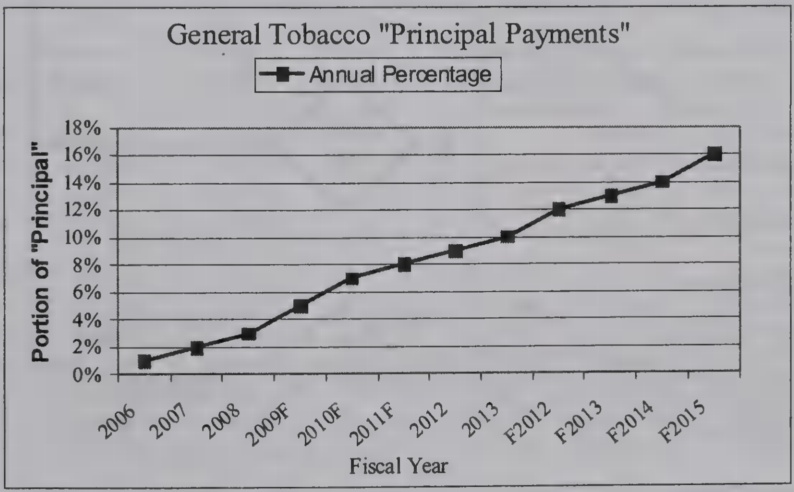
SPM Annual Payment - The estimate for tobacco settlement revenue from SPM is derived by a five-step process:

1. The volume adjustment (a reduction) is calculated by multiplying the annual OPM amount by the cumulative volume percentage.
2. A market share adjustment (a reduction to the amount owed) is calculated by: a) subtracting the volume adjustment, derived above, from the OPM amount; b) multiplying the result by a market share proxy to derive the base amount owed; c) the inflation adjustment is applied by multiplying the annual OPM amount by the cumulative inflation percentage; and d) the inflation adjustment is added to the base amount owed.
3. The proxy is calculated in the last completed year by dividing the SPM adjusted base payment (adjust for volume) by the total known amount due after adjustments for market share changes. The proxy from the last known fiscal year is used in all subsequent years.
4. The NPM maximum adjustment (a possible reduction), as determined above, is calculated. Since not all companies will dispute the entire amount, a percentage is applied to reduce the reduction. For FY 2008, this percentage was 61.6 percent and is used in all subsequent years.
5. The total SPM amount is adjusted by the above three adjustments and multiplied by 0.4247591 percent to obtain Montana's share.

OPM Strategic Contribution Payment – From FY 2008 through FY 2017, the OPM owe yearly strategic contribution payments to the settling entities in the amount of $861,000,000. This amount is increased by the inflation adjustment and decreased by the volume adjustment, both described above. The result is multiplied by Montana's share of 1.0447501 percent.

SPM Strategic Contribution Payment – From FY 2008 through FY 2017, the SPM owe yearly strategic contribution payments to the settling entities based on the OPM amount of $861,000,000. This amount is increased by the inflation adjustment, decreased by the market share adjustment, and decreased by the volume adjustment, all described above. The result is multiplied by Montana's share of 1.0447501 percent.

General Tobacco – The General Tobacco Company joined the Master Settlement Agreement in August 2004 and will make future payments the same as the other SPM. However, the company entered into a separate agreement with the settling entities for making the required payments owed retroactively from the date of its joining to the date the Master Settlement Agreement was signed. These obligations total $272.3 million. This "principal" amount will be paid yearly over a 12-year period based on a percentage schedule based on the year.

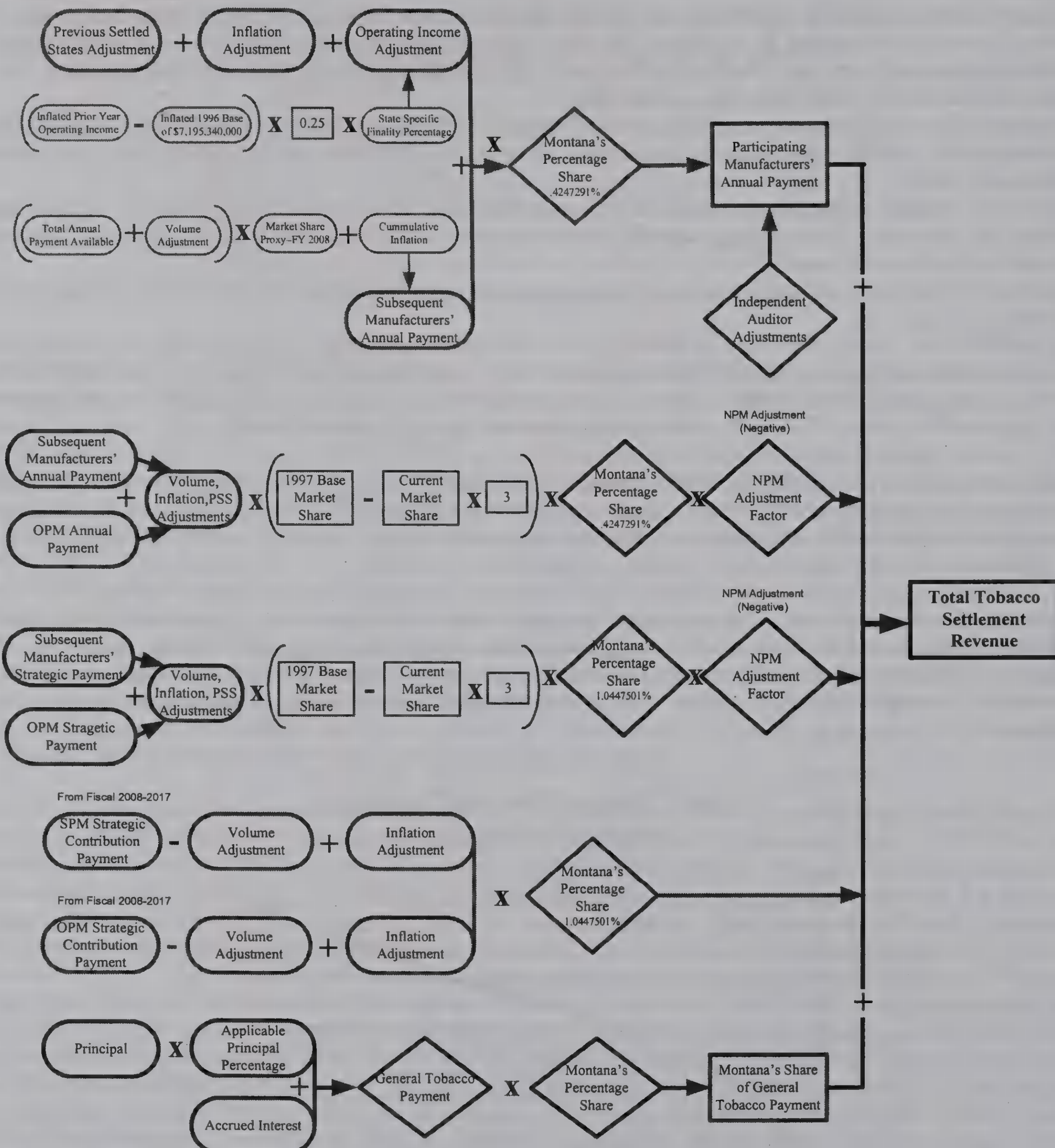


For fiscal years 2008 and 2009, the percentage of the "principal" to be paid is three percent and five percent, respectively. Interest on unpaid balances at five percent is then added to the "principal" payment. Once the total annual payment is calculated, it is multiplied by 0.4247591 percent to obtain Montana's share.

Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentages are applied.

Forecast Methodology



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

	t Fiscal	Total Settle Millions	GF Settle Millions	Initial Payment Millions	Annual Payment Millions	Annual Share Percent	PSS Reduction Percent	GF Allocation Percent
Actual	2000	34.804411	34.804411	4872.000000	4500.000000	0.004247591	-0.124500000	1.000000
Actual	2001	26.639851	15.989101	2546.160000	5000.000000	0.004247591	-0.124500000	0.600195
Actual	2002	31.079018	18.647411	2622.544800	6500.000000	0.004247591	-0.124500000	0.600000
Actual	2003	31.166018	18.699611	2701.221144	6500.000000	0.004247591	-0.124500000	0.600000
Actual	2004	26.672072	2.933928	0.000000	8000.000000	0.004247591	-0.124500000	0.110000
Actual	2005	27.070703	2.977777	0.000000	8000.000000	0.004247591	-0.124500000	0.110000
Actual	2006	24.851033	2.733614	0.000000	8000.000000	0.004247591	-0.124500000	0.110000
Actual	2007	25.931124	2.861266	0.000000	8000.000000	0.004247591	-0.124500000	0.110341
Actual	2008	34.614275	3.807570	0.000000	8139.000000	0.004247591	-0.122373756	0.110000
Forecast	2009	35.965000	3.956000	0.000000	8139.000000	0.004247591	-0.122373756	0.110000
Forecast	2010	36.431000	4.007000	0.000000	8139.000000	0.004247591	-0.122373756	0.110000
Forecast	2011	37.013000	4.071000	0.000000	8139.000000	0.004247591	-0.122373756	0.110000

	t Fiscal	Annual Vol. Change Percent	Cummulative Vol. Change Percent	Adjustment Factor Percent	Adjusted Vol. Change Percent	Annual CPI Change Percent	Cummulative CPI Change Percent	NPM Adj. Factor Percent
Actual	2000	-0.140094943	-0.140094943	0.980000000	-0.137293044	0.030000000	0.030000000	
Actual	2001	-0.015542065	-0.153459643	0.980000000	-0.150390450	0.033868093	0.064884100	
Actual	2002	-0.045780332	-0.192214542	0.980000000	-0.188370251	0.030000000	0.096830600	
Actual	2003	-0.049400356	-0.232119431	0.980000000	-0.227477042	0.030000000	0.129735500	
Actual	2004	-0.056361859	-0.275398607	0.980000000	-0.269890635	0.030000000	0.163627600	
Actual	2005	-0.016096976	-0.287062498	0.980000000	-0.281321248	0.032555600	0.201510200	
Actual	2006	-0.020662729	-0.301793732	0.980000000	-0.295757857	0.034156600	0.242549700	
Actual	2007	-0.015004246	-0.312269791	0.980000000	-0.306024395	0.030000000	0.279826200	
Actual	2008	-0.044973909	-0.343199707	0.980000000	-0.336335713	0.040812700	0.332059400	0.616260
Forecast	2009	-0.013684537	-0.352187715	0.980000000	-0.345143961	0.038109000	0.382822900	0.616260
Forecast	2010	-0.024823471	-0.368268664	0.980000000	-0.360903291	0.030000000	0.424307600	0.616260
Forecast	2011	-0.025455361	-0.384349613	0.980000000	-0.376662621	0.030000000	0.467036800	0.616260

	t Fiscal	Op. Income Adjustment Millions	SPM Payment Millions	General Tobacco Millions	NPM Adjustment Millions	Strategic Payment Millions	Strategic Share Percent	SPM Strat. Pay. Millions
Actual	2000	40.787986	45.670546			0.000000	0.000000000	
Actual	2001	64.221594	82.400165			0.000000	0.000000000	
Actual	2002	0.000000	144.417782			0.000000	0.000000000	
Actual	2003	0.000000	240.733198			0.000000	0.000000000	
Actual	2004	0.000000	293.806967			0.000000	0.000000000	
Actual	2005	0.000000	433.300079			0.000000	0.000000000	
Actual	2006	0.000000	441.940333	0.072141	-3.006038	0.000000	0.000000000	
Actual	2007	0.000000	531.992827	0.080386	-2.596975	0.000000	0.000000000	34.165664
Actual	2008	0.000000	430.210578	0.090796	-3.622289	861.000000	0.010447501	45.510694
Forecast	2009	0.000000	440.678076	0.112194	-3.727076	861.000000	0.010447501	62.933230
Forecast	2010	0.000000	442.975204	0.132435	-3.773424	861.000000	0.010447501	89.636278
Forecast	2011	0.000000	445.013538	0.139953	-3.833095	861.000000	0.010447501	131.499719

Total Settle = (Annual Payment * ((1+ Cumulative CPI Change) * (1+ Adjusted Vol. Change) * (1+ PSS Reduction))
+ Op. Income Adjustment) * Annual Share + General Tobacco + (SPM Payment * Annual Share)
+ (NPM Adjustment * NPM Adjustment Factor)
+ Strategic Payment * ((1+ Cumulative CPI Change) * (1+ Adjusted Vol. Change) + SPM Strategic Payment)
* Strategic Share
GF Settle = Total Settle * GF Allocation

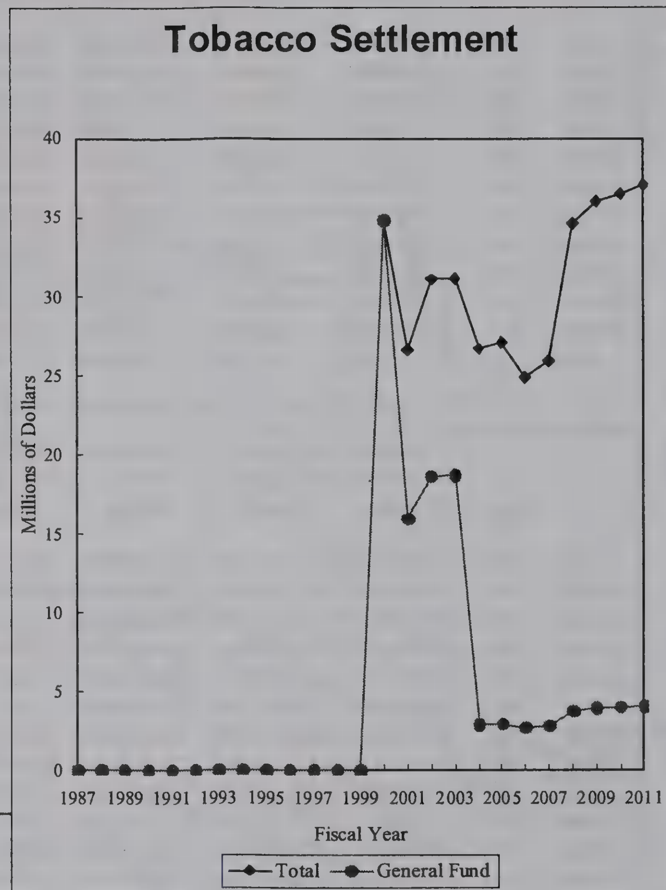
Legislative Fiscal Division

Revenue Estimate Profile

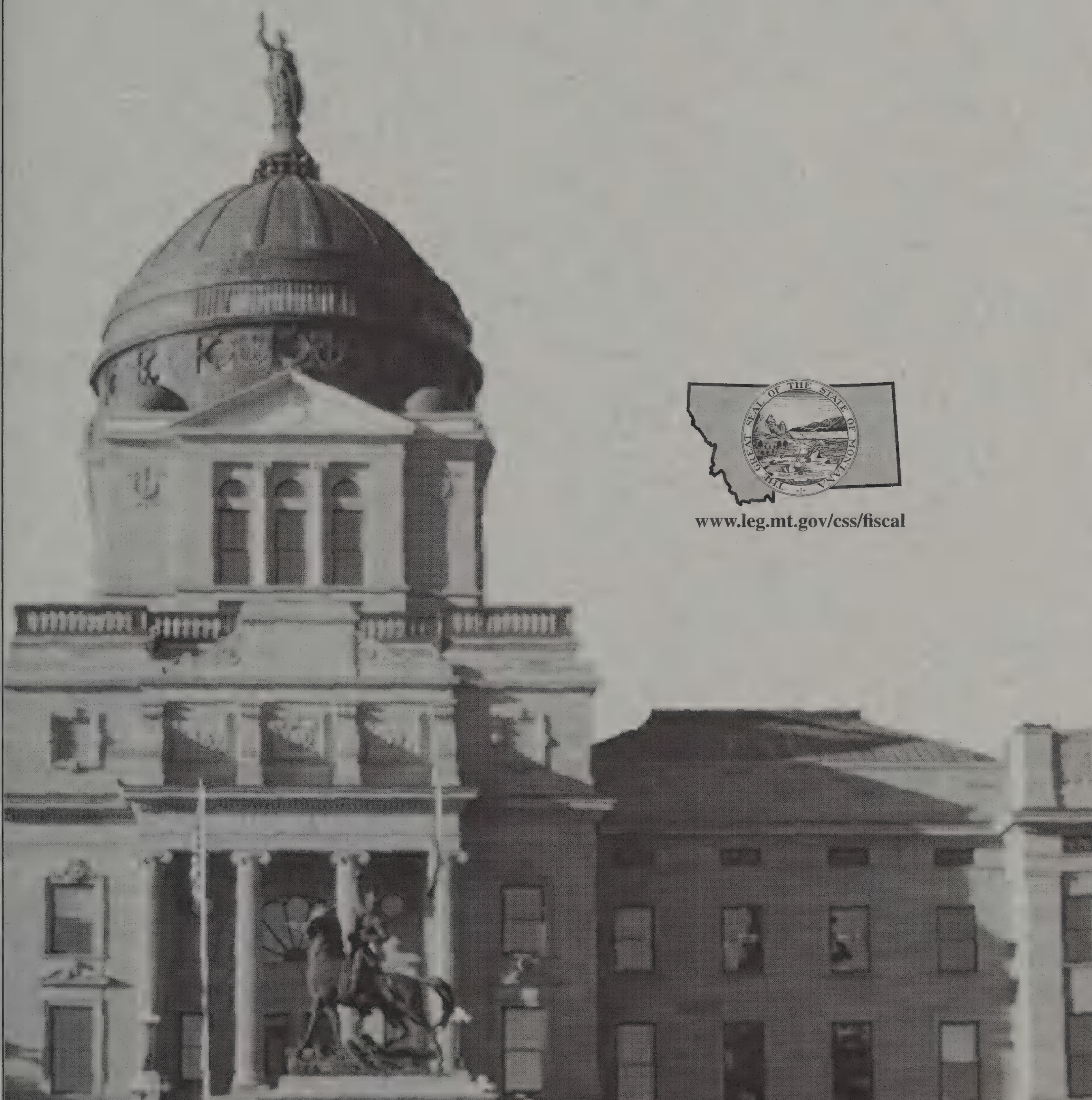
Tobacco Settlement

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	34.804411	34.804411	Not App.
A	2001	26.639851	15.989101	-54.06%
A	2002	31.079018	18.647411	16.63%
A	2003	31.166018	18.699611	0.28%
A	2004	26.672072	2.933928	-84.31%
A	2005	27.070703	2.977777	1.49%
A	2006	24.851033	2.733614	-8.20%
A	2007	25.931124	2.861266	4.67%
A	2008	34.614275	3.807570	33.07%
F	2009	35.965000	3.956000	3.90%
F	2010	36.431000	4.007000	1.29%
F	2011	37.013000	4.071000	1.60%



House Joint Resolution 2



www.leg.mt.gov/css/fiscal

HOUSE JOINT RESOLUTION NO. 2

INTRODUCED BY JOPEK

BY REQUEST OF THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA ESTABLISHING AN OFFICIAL ESTIMATE OF THE STATE'S GENERAL FUND REVENUE FOR FISCAL YEAR 2009 AND EACH FISCAL YEAR OF THE 2010-2011 BIENNIUM FOR THE PURPOSE OF ACHIEVING A BALANCED BUDGET AS REQUIRED BY ARTICLE VIII, SECTION 9, OF THE MONTANA CONSTITUTION; ACCEPTING A ~~PRELIMINARY~~ JUNE 30, 2008, UNRESERVED GENERAL FUND BALANCE THAT WAS ESTABLISHED BASED ON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; ESTABLISHING OFFICIAL ESTIMATES OF CERTAIN NONGENERAL FUND REVENUE; AND REQUESTING THAT THE GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING USE THE REVENUE ESTIMATES CONTAINED IN THIS RESOLUTION AS OFFICIAL REVENUE ESTIMATES FOR FISCAL YEARS 2009, 2010, AND 2011.

WHEREAS, Article VI, section 9, of the Montana Constitution requires the Governor to submit to the Legislature a budget for the ensuing fiscal period, containing in detail for all operating funds the proposed expenditures and estimated revenue of the state; and

WHEREAS, Article VIII, section 9, of the Montana Constitution prohibits the Legislature from appropriating funds in excess of the anticipated revenue of the state; and

WHEREAS, section 5-5-227(2), MCA, requires the Revenue and Transportation Interim Committee to estimate the amount of revenue projected to be available for legislative appropriation and to introduce a resolution setting forth the Committee's current revenue estimate; and

WHEREAS, section 5-5-227(3), MCA, expresses the Legislature's intent that its revenue estimates and the underlying assumptions used to derive those estimates be used by all agencies in the development of fiscal notes; and

WHEREAS, section 5-12-302(6), MCA, requires the Legislative Fiscal Analyst to assist the Revenue and Transportation Interim Committee in its

revenue estimating duties; and

WHEREAS, the Revenue and Transportation Interim Committee obtained the assistance of the Legislative Fiscal Analyst in the development of the revenue estimates; and

WHEREAS, the Revenue and Transportation Interim Committee also obtained the assistance of Executive Branch agencies in the development of the revenue estimates; and

WHEREAS, the Revenue and Transportation Interim Committee has adopted revenue estimates and the underlying assumptions used to derive those estimates for the general fund and for specific nongeneral fund sources that are significant in the development of the state budget for fiscal year 2009 and the 2010-2011 biennium; and

WHEREAS, section 5-5-227(3), MCA, provides that the Revenue and Transportation Interim Committee's estimate, as introduced in the Legislature, constitutes the Legislature's current revenue estimate until amended or until final adoption of the estimate by both houses; and

WHEREAS, the amount of estimated revenue and the general fund balance affects policy decisions of the Executive Branch and the Legislative Branch; and

WHEREAS, the revenue estimates and the underlying assumptions contained in this resolution provide the basis for a comprehensive analysis of the state's revenue condition.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the state general fund revenue for fiscal years 2009, 2010, and 2011 be estimated to be ~~$1,915,651,000~~ ~~$1,877,991,000~~ $1,873,044,000, ~~$1,873,585,000~~ ~~$1,770,914,000~~ $1,754,561,000, and ~~$1,941,532,000~~ ~~$1,830,135,000~~ $1,810,546,000, respectively.

BE IT FURTHER RESOLVED, that the Legislature accept for budget purposes the ~~preliminary~~ unreserved fiscal year 2008 fund balance of ~~$432,998,000~~ $433,580,170 for the general fund, prepared according to generally accepted accounting principles.

BE IT FURTHER RESOLVED, that the Governor's Office of Budget and Program Planning use the revenue estimates and the underlying

assumptions contained in this resolution as the official revenue estimates for fiscal years 2009, 2010, and 2011.

GENERAL FUND REVENUE

Except for taxable values attributable to property reappraisal of classes three, four, and ten, the projections for total general fund revenue for fiscal years 2009, 2010, and 2011 are based on the assumption of a continuation of Montana law as it existed on January 1, 2009. The revenue estimates contained in the following tables are based on the assumptions listed in the tables that follow the general fund estimates and the assumptions for each general fund revenue source contained in the "Legislative Budget Analysis, 2011 Biennium, Volume 2 -- Revenue Estimates" (as adopted by the Revenue and Transportation Interim Committee) prepared by the Legislative Fiscal Division. CHANGES TO THE REVENUE ESTIMATES AND THE ASSUMPTIONS MAY BE MADE BY THE LEGISLATURE.

Current Law

General Fund Revenue Estimates

(In Millions of Dollars)

	Actual	Estimated	Estimated	Estimated
Source of Revenue	FY 2008	FY 2009	FY 2010	FY 2011
Individual Income Tax	$866.659	~~$871.653~~	~~$884.934~~	~~$908.994~~
		~~$856.506~~	~~$845.333~~	~~$859.007~~
		$852.615	$838.750	$850.014
Statewide and Vo-Tech Property Taxes -- Without Reappraisal	205.044	~~211.495~~	~~222.983~~	~~228.933~~
		214.615	~~225.628~~	~~229.428~~
			221.919	225.719
Corporation Income Tax	160.342	~~156.132~~	~~136.293~~	~~149.352~~
		~~157.715~~	~~117.579~~	~~124.250~~

		157.284	115.638	121.382
Oil and Natural Gas Production Tax	149.994	~~116.771~~	~~100.066~~	~~105.177~~
		~~94.641~~	~~69.831~~	~~85.220~~
		94.769	66.930	82.423
Vehicle Tax	93.493	~~95.014~~	~~93.748~~	~~91.559~~
		93.493	92.247	90.093
Insurance Tax and License Fees	64.004	~~49.769~~	~~47.144~~	~~49.268~~
		49.878	~~47.836~~	~~50.206~~
			47.880	50.353
Video Gambling Tax	63.134	66.554	69.003	71.973
Coal Trust Interest	28.855	~~29.392~~	~~28.787~~	~~28.606~~
		~~29.319~~	~~28.573~~	~~28.281~~
		29.312	28.574	28.288
U.S. Mineral Royalty	36.389	~~28.259~~	~~31.518~~	~~32.505~~
		~~24.986~~	~~28.374~~	~~31.061~~
		24.885	27.796	30.418
All Other Revenue	38.434	~~65.749~~	~~32.816~~	~~33.575~~
		65.415	32.126	32.831
Cigarette Tax	36.004	~~36.373~~	~~36.720~~	~~37.082~~
		34.564	32.984	33.053
Tobacco Settlement	3.808	~~3.962~~	~~4.013~~	~~4.077~~

		3.956	4.007	4.071
Treasury Cash Account Interest	30.783	~~11.107~~	~~10.185~~	~~19.381~~
		~~16.673~~	~~7.899~~	~~15.596~~
		16.507	7.967	15.905
Telecommunications Excise Tax	22.350	~~21.614~~	~~21.701~~	~~21.798~~
		21.597	21.676	21.762
Motor Vehicle Fee	18.995	~~19.227~~	~~19.969~~	~~19.771~~
		18.926	19.672	19.481
Public Institution Reimbursements	15.335	13.658	14.412	14.675
3% Accommodations Sales Tax	13.390	~~13.339~~	~~13.796~~	~~14.382~~
		13.109	13.376	13.926
Coal Severance Tax	11.894	12.410	12.183	12.959
Liquor Excise and License Tax	14.925	~~15.845~~	~~16.717~~	~~17.859~~
		15.787	16.570	17.627
Investment License Fee	6.514	6.127	6.210	6.825
Lottery Profits	11.029	~~10.516~~	~~11.309~~	~~12.022~~
		~~10.494~~	~~11.244~~	~~11.921~~
		10.275	10.906	11.453
Liquor Profits	8.775	~~8.894~~	~~9.197~~	~~9.682~~
		~~8.910~~	~~9.237~~	~~9.749~~
		8.651	8.837	9.194

Nursing Facilities Fee	5.610	5.318	5.213	5.109
Electrical Energy Tax	5.179	4.707	4.717	4.727
Metalliferous Mines Tax	10.774	~~9.854~~	~~8.085~~	~~8.066~~
		6.777	3.248	3.279
Highway Patrol Fines	4.049	4.052	4.055	4.058
Public Contractors Tax	5.063	4.058	4.322	4.357
Wholesale Energy Transaction Tax	3.856	3.870	3.931	3.993
Tobacco Products Tax	4.699	4.710	~~4.768~~	~~4.837~~
			4.738	4.796
Driver's License Fee	3.866	4.667	3.920	4.739
4% Rental Car Sales Tax	3.157	3.173	3.282	3.422
Railroad Car Tax	2.064	2.166	2.295	2.336
Wine Tax	1.829	1.942	2.043	2.146
Beer Tax	3.124	3.160	3.221	3.282
Estate Tax	0.122	0.113	0.029	0.005
Total General Fund	$1,953.540	~~$1,915.651~~	~~$1,873.585~~	~~$1,941.532~~
		~~$1,877.991~~	~~$1,770.914~~	~~$1,830.135~~
		$1,873.044	$1,754.561	$1,810.546

SIGNIFICANT ASSUMPTIONS FOR GENERAL FUND REVENUE ESTIMATES

Revenue and Transportation Interim Committee

Year Assumption	2008	2009	2010	2011

Individual Income Tax						
FY	Income Tax Audit Collections (Millions)	$30.637	$30.844	$31.324	$32.149
CY	Taxpayer Population (Percent Change)	0.79%	0.49%	1.40%	1.60%
	Income Indicators				
CY	Wage and Salary Income (Percent Change)	~~4.52%~~	~~2.29%~~	~~3.09%~~	~~3.41%~~
		3.85%	0.75%	2.31%	2.87%
CY	Net Farm Income (Percent Change)	0.00%	0.00%	0.00%	0.00%
CY	Interest Income (Percent Change)	~~1.14%~~	~~(1.46%)~~	~~(1.42%)~~	~~8.05%~~
		(0.66%)	~~(9.50%)~~	~~(3.59%)~~	~~6.99%~~
			(10.75%)	(5.29%)	4.50%
CY	Dividend Income (Percent Change)	~~6.09%~~	~~(1.18%)~~	~~1.33%~~	~~3.06%~~
		6.14%	~~(2.61%)~~	~~(1.52%)~~	~~0.09%~~
			(4.31%)	(4.24%)	2.72%
CY	Rent, Royalty, and Partnership Income (Percent Change)	~~0.00%~~	~~0.00%~~	~~0.00%~~	~~0.00%~~
		~~10.77%~~	~~(3.58%)~~	~~(6.43%)~~	~~3.40%~~
		9.50%	(0.18%)	(7.57%)	3.35%
CY	Net Business Income (Percent Change)	~~(0.24%)~~	~~2.46%~~	~~4.34%~~	~~4.36%~~
		~~5.39%~~	~~(6.17%)~~	~~(11.97%)~~	~~4.28%~~
		3.27%	(3.71%)	(4.25%)	0.57%
CY	Capital Gains and Losses (Percent Change)	~~(16.32%)~~	~~(17.35%)~~	~~11.63%~~	~~13.60%~~
		(17.32%)	~~(24.90%)~~	~~19.97%~~	14.09%

			(36.55%)	21.50%	
CY	Supplemental Gains (Percent Change)	5.32%	5.32%	5.32%	5.32%
CY	Social Security Income (Percent Change)	10.35%	10.35%	10.35%	10.35%
CY	IRA Income (Percent Change)	5.75%	~~5.75%~~	~~5.75%~~	5.75%
			1.50%	1.50%	
CY	Pension Income (Percent Change)	6.06%	~~6.06%~~	~~6.06%~~	6.06%
			1.50%	1.50%	
CY	Other Income (Percent Change)	7.07%	7.07%	7.07%	7.07%
CY	Bond Interest (Percent Change)	1.14%	(1.46%)	(1.42%)	8.05%
CY	Federal Income Tax Refunds (Percent Change)	0.00%	0.00%	0.00%	0.00%
CY	Other Additions to Income (Percent Change)	0.00%	0.00%	0.00%	0.00%
CY	IRA Reduction (Percent Change)	5.00%	5.00%	5.00%	5.00%
CY	Reductions to Income (Percent Change)	(6.42%)	4.44%	4.53%	5.55%
CY	Other Reductions to Income	5.00%	5.00%	5.00%	5.00%
	Deductions From Income				
CY	Medical Premiums (Percent Change)	6.68%	6.68%	6.68%	6.68%
CY	Medical Deductions (Percent Change)	6.51%	6.51%	6.51%	6.51%
CY	Real Estate Tax (Percent Change)	5.63%	5.63%	5.63%	5.63%
CY	Other Taxes (Percent Change)	5.64%	5.64%	5.64%	5.64%
CY	Home Mortgage (Percent Change)	7.23%	7.23%	7.23%	7.23%
CY	Contributions (Percent Change)	7.84%	7.84%	7.84%	7.84%

CY	Gambling Losses (Percent Change)	6.62%	6.62%	6.62%	6.62%
FY	Bonus Depreciation (Millions)	($0.000)	($0.524)	($0.724)	($0.142)
CY	Homeowner and Renter Credit (Millions)	$9.811	$9.811	$9.811	$9.811
CY	All Other Credits (Percent Change)	6.65%	1.15%	2.11%	2.93%
	Other Individual Income Tax Assumptions				
CY	All Filers Liability (Millions)	$773.615	$780.871	$797.386	$822.121
CY	Current Calendar Year to Fiscal Year Conversion	52.1%	52.1%	52.1%	52.1%
CY	Previous Calendar Year to Fiscal Year Conversion	47.9%	47.9%	47.9%	47.9%
FY	Fiscal Year 2008 Adjusted Base (Millions)	$836.022			
Property Taxes: Taxable Value for Statewide General Fund					
Mill Levies and Other Property Tax Indicators					
	Taxable Value--40-Mill and 55-Mill Levies				
FY	Property Class One (Millions)	$3.840	$4.013	$4.013	$4.013
FY	Property Class Two (Millions)	$18.849	~~$16.010~~	~~$35.469~~	~~$25.008~~
			$24.540	$48.377	$15.373
FY	Property Class Three -- Without Reappraisal (Millions)	$141.329	~~$142.057~~	~~$142.057~~	~~$142.057~~
			$142.099	$142.099	$142.099
FY	Property Class Four -- Without Reappraisal (Millions)	$1,244.916	~~$1,297.014~~	~~$1,342.410~~	~~$1,389.394~~
			$1,296.595	$1,341.975	$1,388.945
FY	Property Class Five (Millions)	$35.418	~~$35.066~~	~~$35.767~~	~~$36.481~~
			$35.155	$35.857	$36.572

FY	Property Class Seven (Millions)	$1.096	$1.214	$1.244	$1.274
FY	Property Class Eight (Millions)	$138.658	~~$149.006~~	~~$156.412~~	~~$164.186~~
			$151.317	~~$158.838~~	~~$166.733~~
				$171.854	$179.749
FY	Property Class Nine (Millions)	$264.324	~~$263.378~~	~~$278.274~~	~~$294.013~~
			$260.190	~~$274.906~~	~~$290.454~~
				$222.842	$238.390
FY	Property Class Ten -- Without Reappraisal (Millions)	$6.822	$6.817	$6.817	$6.817
FY	Property Class Twelve (Millions)	$43.004	~~$43.582~~	~~$46.615~~	$43.516
			$43.567	$43.615	
FY	Property Class Thirteen (Millions)	$152.942	~~$154.587~~	~~$162.382~~	~~$170.570~~
			$154.611	$162.407	$170.597
FY	PROPERTY CLASS FOURTEEN (MILLIONS)	$2.944	$3.179	$3.434	$3.708
FY	PROPERTY CLASS FIFTEEN (MILLIONS)	$0.000	$0.000	$0.000	$0.000
FY	PROPERTY CLASS SIXTEEN (MILLIONS)	$0.000	$0.000	$0.000	$0.000
FY	TAXABLE VALUE ADJUSTMENT FOR COURT DECISION ON RECLASSIFICATION OF PROPERTY (MILLIONS)				
		$0.000	$0.000	($39.048)	($39.048)
FY	Total Taxable Value 55-Mill and 40-Mill (Millions)	$2,041.767	~~$2,109.958~~	~~$2,206.838~~	~~$2,276.046~~
			$2,117.330	~~$2,218.526~~	~~$2,265.108~~
				$2,179.478	$2,226.060

Other Property Tax Indicators

FY	Tax Increment Finance Value (Millions)	$30.120	$25.752	$24.821	$24.737
FY	Property Tax Abatement Value (Millions)	$18.099	$20.021	$20.021	$20.021
FY	Taxable Value in 1.5-Mill Vo-Tech Counties --				
	Without Reappraisal (Millions)	$721.234	~~$739.372~~	~~$773.066~~	~~$797.341~~
			<u>$747.522</u>	<u>$778.279</u>	<u>$802.589</u>
	<u>Property Tax Nonlevy Revenue</u>				
FY	40-Mill Nonlevy Revenue (Millions)	$0.000	$0.000	$0.000	$0.000
FY	40-Mill Adjustments (Millions)	($1.413)	$0.000	$0.000	$0.000
FY	55-Mill Nonlevy Revenue (Millions)	$0.000	$13.040	$15.273	$14.612
FY	55-Mill Adjustments (Millions)	$0.000	$0.000	$0.000	$0.000
FY	1.5-Mill Nonlevy Revenue (Millions)	$0.000	$0.000	$0.000	$0.000
FY	1.5-Mill Adjustments (Millions)	$0.000	$0.000	$0.000	$0.000
Vehicle Tax					
FY	Large Trucks Growth Rate (Percent Change)	(4.67%)	~~1.63%~~	(1.33%)	(2.33%)
			<u>0.00%</u>		
FY	Motor Home Growth Rate (Percent Change)	(8.12%)	~~1.63%~~	(1.33%)	(2.33%)
			<u>0.00%</u>		
FY	Light Vehicle Growth Rate (Percent Change)	(6.43%)	~~1.63%~~	(1.33%)	(2.33%)
			<u>0.00%</u>		
FY	Boat and Snowmobile Growth Rate (Percent Change)	(4.41%)	~~1.63%~~	(1.33%)	(2.33%)
			<u>0.00%</u>		

FY	Manufacturer's Certificate of Origin Growth Rate (Percent Change)	(8.40%)	~~1.63%~~	(1.33%)	(2.33%)
			0.00%		
Corporation License Tax					
FY	U.S. Profits (Billions)	~~$1,755.100~~	~~$1,647.600~~	~~$1,752.400~~	~~$1,845.400~~
		~~$1,749.800~~	~~$1,493.000~~	~~$1,499.100~~	~~$1,706.500~~
		$1,740.700	$1,439.600	$1,426.400	$1,680.400
	Percent Change in Tax Liability by Industrial Sector				
CY	Box Stores	~~(1.01%)~~	~~(1.04%)~~	~~3.11%~~	~~2.44%~~
		~~(1.78%)~~	~~(4.00%)~~	~~4.79%~~	~~3.93%~~
		(1.87%)	(4.43%)	3.81%	3.61%
CY	Financial Corporations	~~0.52%~~	~~2.45%~~	~~3.98%~~	~~3.86%~~
		~~(1.19%)~~	~~(2.15%)~~	~~5.28%~~	~~5.43%~~
		(1.18%)	(3.62%)	5.49%	5.16%
CY	Food Production and Transportation	~~0.43%~~	~~(0.14%)~~	~~2.24%~~	~~1.96%~~
		~~(0.05%)~~	~~(4.79%)~~	~~4.47%~~	~~3.59%~~
		(0.11%)	(3.88%)	3.52%	3.27%
CY	Health and Pharmaceuticals	~~(0.70%)~~	~~2.56%~~	~~5.59%~~	~~6.55%~~
		~~(0.76%)~~	~~1.36%~~	~~4.74%~~	4.94%
		(1.01%)	(2.79%)	5.18%	
CY	Minimum-Payment Corporations	0.00%	0.00%	0.00%	0.00%
CY	Mining	~~(13.74%)~~	~~(14.95%)~~	~~(0.79%)~~	~~1.09%~~

		(6.76%)	(68.22%)	(1.22%)	3.12%
CY	Oil and Natural Gas	~~32.91%~~	~~(42.28%)~~	~~14.11%~~	~~(8.64%)~~
		~~25.21%~~	~~(62.58%)~~	~~36.30%~~	~~7.35%~~
		25.32%	(63.03%)	31.27%	9.79%
CY	Railroads	6.79%	5.40%	3.59%	3.47%
CY	Montana Corporations	(8.14%)	~~(12.17%)~~	~~2.50%~~	~~18.85%~~
			~~(3.22%)~~	~~(11.55%)~~	~~13.72%~~
			(4.07%)	(15.05%)	16.21%
CY	Telecommunications	0.29%	~~(0.07%)~~	~~0.18%~~	~~0.22%~~
			(0.14%)	~~0.14%~~	~~0.17%~~
				0.12%	0.18%
CY	Forest Products	~~(11.88%)~~	~~(17.71%)~~	~~5.87%~~	~~12.33%~~
		~~(13.24%)~~	~~(21.50%)~~	~~5.94%~~	~~12.62%~~
		(13.49%)	(24.75%)	6.32%	15.15%
CY	Utilities	1.42%	0.20%	0.20%	0.20%
CY	All Other	(8.14%)	~~(12.17%)~~	~~2.50%~~	~~18.85%~~
			~~(3.22%)~~	~~(11.55%)~~	~~13.72%~~
			(4.07%)	(15.05%)	16.21%
CY	Current Calendar Year to Fiscal Year Conversion	60.0%	60.0%	60.0%	60.0%
CY	Previous Calendar Year to Fiscal Year Conversion	40.0%	40.0%	40.0%	40.0%
FY	Bonus Depreciation (Millions)	($0.000)	($2.618)	($3.620)	$0.708

Insurance Premiums Tax and License Fees					
FY	General Fund Fee Revenue (Millions)	$0.013	$0.013	$0.013	$0.013
FY	Genetics Fee (Millions)	$0.750	$0.750	$0.750	$0.750
FY	Premiums Tax (Millions)	$65.703	$67.455	$70.119	$73.199
FY	Offsets (Millions)	$1.576	$1.510	$1.510	$1.510
FY	Refunds (Millions)	$0.180	$0.250	$0.250	$0.250
Video Gambling Tax					
FY	Video Machine Net Income (Millions)	$420.985	$443.698	$460.022	$479.820
Motor Vehicle Fee--General Fund Allocations					
FY	Motor Vehicle Registration Fee (Millions)	$11.677	~~$11.867~~	~~$11.709~~	~~$11.436~~
			$11.677	$11.522	$11.253
FY	Recording of Liens Fee (Millions)	$0.719	~~$0.661~~	~~$0.652~~	~~$0.637~~
			$0.650	$0.641	$0.627
FY	Title Fee (Millions)	$2.464	~~$2.504~~	~~$2.470~~	~~$2.413~~
			$2.464	$2.431	$2.374
FY	Personal License Plate Fee (Millions)	$1.336	~~$1.358~~	~~$1.340~~	~~$1.308~~
			$1.336	$1.318	$1.287
FY	New License Plate Fee (Millions)	$1.493	~~$1.511~~	~~$2.489~~	~~$2.700~~
			$1.493	$2.471	$2.682
FY	Senior Citizen Transit Fee (Millions)	$0.000	$0.000	$0.000	$0.000
FY	Other Fees (Millions)	$1.113	~~$1.132~~	~~$1.116~~	~~$1.090~~

		$1.113	$1.099	$1.073	
U.S. Mineral Royalty					
CY	Oil Production (Millions of Barrels)	3.788	3.761	3.733	3.706
CY	Coal Production (Millions of Tons)	25.846	23.608	22.448	22.041
CY	Natural Gas Production (MMCF)	27.955	28.808	29.686	30.592
CY	Oil Price (Per Barrel)	~~$88.599~~	~~$46.631~~	~~$50.681~~	~~$52.342~~
		~~$34.838~~	~~$34.838~~	~~$39.845~~	~~$48.292~~
		$89.399	$35.193	$37.803	$48.120
CY	Coal Price (Per Ton)	$11.307	$11.991	$13.538	$14.075
CY	Natural Gas Price (Per MCF)	~~$6.603~~	~~$5.179~~	~~$6.182~~	~~$6.402~~
		$6.676	~~$3.930~~	~~$4.976~~	~~$5.762~~
			$3.812	$4.760	$5.307
CY	Oil Royalty Rate (Percent)	11.03%	11.03%	11.03%	11.03%
CY	Coal Royalty Rate (Percent)	12.11%	12.11%	12.11%	12.11%
CY	Natural Gas Royalty Rate (Percent)	11.15%	11.15%	11.15%	11.15%
CY	Other Royalties (Millions)	$3.498	$2.743	$3.275	$3.391
CY	Rent and Bonus (Millions)	$5.050	$5.050	$5.050	$5.050
Telecommunications Excise Tax					
FY	Taxable Gross Receipts (Millions)	$563.408	$563.038	$564.038	$565.285
Tobacco Settlement					
FY	Volume Change (Percent Change)	(4.50%)	(1.37%)	(2.48%)	(2.55%)

FY	Cumulative Volume Change (Percent Change)	(34.32%)	(35.22%)	(36.83%)	(38.43%)
FY	CPI Change (Percent Change)	4.08%	3.96%	3.00%	3.00%
FY	Cumulative CPI Change (Percent Change)	33.21%	38.48%	42.63%	46.91%
FY	Operating Income Adjustment (Millions)	$0.000	$0.000	$0.000	$0.000
FY	Subsequent Manufacturers' Payment (Millions)	$430.210	$441.292	$443.593	$445.634
FY	Nonparticipating Manufacturers' Adjustment (Millions)	($3.622)	($3.732)	($3.779)	($3.839)
Public Institution Reimbursements					
FY	Private Payments (Millions)	$1.647	$2.048	$2.133	$2.218
FY	Insurance Payments (Millions)	$0.346	$0.379	$0.386	$0.394
FY	Medicaid Payments (Millions)	$9.392	$11.202	$11.691	$11.671
FY	Medicare Payments (Millions)	$3.456	$2.459	$2.612	$2.781
FY	Debt Service MT Developmental Center (Millions)	($0.982)	($1.017)	($1.015)	($1.016)
FY	Debt Service MT State Hospital (Millions)	($1.797)	($1.910)	($1.913)	($1.913)
FY	Adjustments (Millions)	$0.000	$0.000	$0.000	$0.000
Estate Tax					
FY	Annual Change in Tax (Percent Change)	(85.44%)	(7.13%)	(74.75%)	(81.33%)
Oil Production Tax					
CY	Oil Production (Million Barrels)	~~34.258~~	~~33.125~~	~~31.803~~	~~28.417~~
		31.570	28.653	26.431	24.612
CY	Montana Oil Price (Weighted Price/Barrel)	~~$89.200~~	~~$47.779~~	~~$56.368~~	~~$56.217~~
		$89.767	~~$31.841~~	~~$45.628~~	$54.397

			$32.133	$43.323	
CY	Effective Tax Rate (Percent)	~~9.14%~~	~~9.49%~~	~~9.60%~~	~~10.23%~~
		9.48%	10.21%	10.19%	10.38%
Natural Gas Production Tax					
CY	Natural Gas Production (MMCF)	121.729	123.350	123.808	119.875
CY	Montana Natural Gas Price (Weighted Price/MCF)	~~$6.776~~	~~$5.327~~	~~$6.165~~	~~$6.152~~
		~~$6.752~~	~~$3.693~~	~~$5.318~~	~~$5.526~~
		$6.777	$3.502	$5.093	$5.093
CY	Effective Tax Rate (Percent)	8.01%	8.25%	8.35%	8.95%
Treasury Cash Account Interest					
FY	TCA Average Balance (Millions)	$750.831	~~$711.992~~	~~$581.992~~	~~$581.992~~
			$829.492	$750.176	$770.183
FY	TCA Average Yield (Percent)	4.10%	~~1.56%~~	~~1.75%~~	~~3.33%~~
			~~2.01%~~	~~1.05%~~	~~2.03%~~
			1.99%	1.06%	2.07%
FY	TRANS Issue Size (Millions)	$0.000	$0.000	$0.000	$0.000
Liquor Excise and License Tax					
FY	Gross Sales (Millions)	$78.250	$82.972	$87.569	$93.550
FY	Tribal Distributions (Millions)	$0.288	$0.295	$0.317	$0.338
Coal Severance Tax					
CY	Severance Tax Coal Production (Million Tons)	38.413	35.697	44.699	43.375

CY	Montana Contract Sales Price (Weighted CSP/Ton)	$7.999	$8.586	$9.841	$9.926
Cigarette Tax						
FY	Cigarette Packs (Millions)	50.306	~~50.817~~	~~51.333~~	~~51.855~~
			48.415	46.245	46.245
FY	Effective Tax Rate Per Pack (Dollars)	$1.70	$1.70	$1.70	$1.70
FY	Tribal Distribution (Millions)	$4.051	$3.992	~~$4.083~~	~~$4.148~~
				$3.889	$3.737
Lottery Profits						
FY	Total Lottery Sales (Millions)	$43.822	$43.041	$44.243	$45.478
FY	Lottery Interest Earnings (Millions)	$0.179	$0.081	$0.096	$0.194
FY	Other Revenue (Millions)	$0.005	$0.005	$0.005	$0.005
FY	Lottery Operating Budget (Millions)	$7.575	~~$7.662~~	~~$7.389~~	~~$7.293~~
			$7.879	$7.728	$7.763
FY	Lottery Prizes and Commissions (Millions)	$25.403	$24.950	$25.647	$26.362
Nursing Facilities Fee						
FY	Bed Days (Millions)	1.804	1.806	1.767	1.728
FY	Intermediate Care Revenue (Millions)	$14.845	$15.068	$15.295	$15.525
Liquor Profits						
FY	Gross Liquor Sales (Millions)	$98.595	$104.545	$110.337	$117.873
FY	Cost of Goods Sold (Millions)	$55.688	$59.192	$62.548	$67.110
FY	Liquor Discounts and Commissions (Millions)	$12.114	$12.846	$13.557	$14.483

FY	Liquor Operating Costs (Millions)	$1.683	~~$2.040~~	~~$2.267~~	~~$2.275~~
			$2.298	$2.670	$2.834
FY	Other Income (Millions)	$0.000	$0.000	$0.000	$0.000
Investment License Fee					
FY	License Registration (Percent Change)	6.88%	(5.94%)	1.35%	9.90%
FY	Portfolio Growth (Percent Change)	12.41%	(1.25%)	4.24%	11.67%
FY	Expense Growth (Percent Change)	6.91%	46.82%	16.24%	0.76%
Electrical Energy Tax					
FY	Kilowatt Hours Produced (Millions)	23,488.256	23,536.031	23,583.903	23,631.873
Highway Patrol Fines					
FY	Highway Patrol Fines (Percent Change)	(2.55%)	0.07%	0.07%	0.07%
Metalliferous Mines Tax					
CY	Copper Production (Million lb)	~~73.969~~	~~70.998~~	~~71.028~~	~~71.059~~
		82.506	70.802	75.169	79.536
CY	Silver Production (Million oz)	~~1.149~~	0.841	~~0.680~~	~~0.680~~
		2.034		1.122	1.565
CY	Gold Production (Million oz)	0.196	~~0.025~~	~~0.010~~	~~0.010~~
			0.024	0.009	0.009
CY	Lead Production (Million lb)	15.402	5.158	0.000	0.000
CY	Zinc Production (Million lb)	42.565	13.281	0.000	0.000
CY	Molybdenum Production (Million lb)		Not disclosed, confidential information		

CY	Palladium Production (Million oz)		Not disclosed, confidential information			
CY	Platinum Production (Million oz)		Not disclosed, confidential information			
CY	Nickel Production (Million lb)	~~0.986~~	~~1.015~~	~~1.046~~	~~1.077~~
		0.821	0.863	0.863	0.863
CY	Rhodium Production (Million oz)		Not disclosed, confidential information			
CY	Sapphire Production (Million oz)	0.000	0.000	0.000	0.000
CY	Copper Sulfide Production (Million lb)	0.000	0.000	0.000	0.000
CY	Copper Price (Per lb)	~~$3.893~~	~~$3.465~~	~~$3.503~~	~~$3.503~~
		$3.480	$1.500	$1.516	$1.516
CY	Silver Price (Per oz)	~~$18.906~~	~~$12.956~~	~~$13.078~~	~~$13.403~~
		$16.310	$10.000	$10.094	$10.345
CY	Gold Price (Per oz)	~~$927.948~~	$730.474	$744.581	$770.418
		$887.540			
CY	Lead Price (Per lb)	~~$1.205~~	~~$1.205~~	~~$1.205~~	~~$1.205~~
		$0.960	$0.500	$0.500	$0.500
CY	Zinc Price (Per lb)	~~$0.987~~	~~$0.987~~	~~$0.987~~	~~$0.987~~
		$0.810	$0.550	$0.550	$0.550
CY	Molybdenum Price (Per lb)		Not disclosed, confidential information			
CY	Palladium Price (Per oz)		Not disclosed, confidential information			
CY	Platinum Price (Per oz)		Not disclosed, confidential information			
CY	Nickel Price (Per lb)	~~$12.087~~	~~$12.087~~	~~$12.087~~	~~$12.087~~

		<u>$8.380</u>	<u>$5.000</u>	<u>$5.000</u>	<u>$5.000</u>
CY	Rhodium Price (Per oz)		Not disclosed, confidential information		
CY	Sapphire Price (Per oz)	$0.000	$0.000	$0.000	$0.000
CY	Copper Sulfide Price (Per lb)	$0.000	$0.000	$0.000	$0.000
CY	Effective Tax Rate (Percent)	1.72%	1.72%	1.72%	1.72%
Public Contractors Tax					
FY	Tax Before Credits (Millions)	$6.964	$5.582	$5.945	$5.993
FY	Credits and Refunds (Millions)	$1.902	$1.524	$1.623	$1.636
Wholesale Energy Transaction Tax					
FY	Kilowatt Hours (Millions)	26,192.843	26,606.873	27,027.448	27,454.671
FY	Credits for Taxes Paid (Millions)	$0.000	$0.000	$0.000	$0.000
Beer Tax					
FY	Beer Barrels (Millions)	0.987	0.999	1.018	1.038
FY	Tribal Distribution (Millions)	$0.061	$0.062	$0.063	$0.065
FY	Effective Tax Rate (Percent)	4.20%	4.20%	4.20%	4.20%
Driver's License Fees					
FY	Driver's License Fees (Millions)	$3.037	$3.831	$3.163	$3.895
FY	Duplicate License Fees (Millions)	$0.285	$0.362	$0.299	$0.368
FY	Motorcycle Endorsement Fees (Millions)	$0.013	$0.018	$0.014	$0.019
FY	Commercial Vehicle Endorsement (Millions)	$0.377	$0.385	$0.385	$0.385
Tobacco Tax					

FY	Value of Tobacco Products (Millions)	$5.509	$4.952	$4.451	$4.001
FY	Snuff Ounces (Millions)	8.759	9.161	9.606	10.051
FY	Tribal Distribution (Millions)	$0.475	$0.470	$0.477	$0.486
Railroad Car Tax					
CY	Total MT Market Value of Fleets (Millions)	$113.859	$120.002	$124.313	$128.624
CY	Taxable Value Rate (Percent)	3.52%	3.44%	3.41%	3.37%
CY	95% of Industrial and Commercial Mill Levy	520.320	524.788	541.558	539.179
Wine Tax					
FY	Wine Liters (Millions)	10.005	10.619	11.180	11.741
FY	Tribal Distribution (Millions)	$0.036	$0.036	$0.039	$0.041

SELECTED NONGENERAL FUND REVENUE

Except for taxable values attributable to property reappraisal of classes three, four, and ten, the estimates for selected nongeneral fund revenue for fiscal year 2009 and the 2010-2011 biennium are based on the assumption of a continuation of Montana law as it existed on January 1, 2009. The revenue estimates contained in the following table are based on the assumptions listed in the tables that follow the nongeneral fund estimates and the assumptions for each nongeneral fund revenue source contained in the "Legislative Budget Analysis, 2011 Biennium, Volume 2 -- Revenue Estimates" (as adopted by the Revenue and Transportation Interim Committee) prepared by the Legislative Fiscal Division. CHANGES TO THE REVENUE ESTIMATES AND THE ASSUMPTIONS MAY BE MADE BY THE LEGISLATURE.

Current Law

Selected Nongeneral Fund Revenue Estimates

(In Millions of Dollars)

Source of Revenue	Actual	Estimated	Estimated	Estimated

	FY 2008	FY 2009	FY 2010	FY 2011
Gasoline Tax	$127.433	$119.787	$119.161	$118.536
Diesel Tax	71.488	65.085	66.018	66.951
Common School Interest and Income	83.026	~~88.354~~	~~70.091~~	~~55.764~~
		~~84.139~~	~~71.015~~	~~57.112~~
		84.136	70.488	57.593
GVW and Other Fees	30.238	30.727	31.192	31.672
Federal Forest Receipts	13.028	26.953	24.258	21.832
6-Mill Property Tax -- Without Reappraisal	13.313	~~13.658~~	~~14.601~~	~~14.990~~
		13.702	~~14.671~~	~~14.924~~
			14.437	14.690
Resource Indemnity Trust Interest	5.801	~~5.582~~	~~5.584~~	~~5.594~~
		~~5.580~~	~~5.577~~	5.583
		5.579	5.576	
Treasure State Endowment Trust Interest	9.194	~~9.339~~	~~9.989~~	~~10.938~~
		~~9.251~~	~~9.718~~	~~10.511~~
		9.244	9.712	10.492
Gasoline Storage Tank Tax	3.714	3.491	3.473	3.455
Resource Indemnity and Ground Water Assessment Tax	1.926	1.987	2.019	2.587
Diesel Storage Tank Tax	2.814	2.665	2.703	2.741
Parks Trust Interest Earnings	1.025	~~1.053~~	~~1.085~~	~~1.122~~

		1.051	~~1.079~~	~~1.112~~
			1.078	1.110
Capital Land Grant Interest and Income	0.983	0.898	0.966	0.617
Tobacco Trust Interest Earnings	4.546	~~5.299~~	~~6.121~~	~~6.987~~
		~~5.284~~	~~6.027~~	~~6.804~~
		5.283	6.022	6.784
Regional Water Trust Interest Earnings	2.175	~~2.369~~	~~2.690~~	~~3.136~~
		~~2.331~~	~~2.573~~	~~2.951~~
		2.328	2.570	2.941
Economic Development Trust Interest Earnings	1.801	~~2.117~~	~~2.431~~	~~2.830~~
		~~2.091~~	~~2.347~~	~~2.695~~
		2.088	2.343	2.683
Pine Hills Interest and Income	0.435	0.443	~~0.451~~	~~0.465~~
			0.450	0.460
Cultural Trust Interest Earnings	0.584	~~0.634~~	~~0.650~~	~~0.671~~
		0.632	0.645	0.663
Deaf and Blind Trust Interest and Income	0.334	~~0.334~~	~~0.338~~	~~0.347~~
		0.333	0.336	0.342
Total Nongeneral Fund	$373.856	~~$380.775~~	~~$363.821~~	~~$351.234~~
		~~$376.430~~	~~$364.228~~	~~$351.547~~
		$376.412	$363.447	$351.731

SELECTED ASSUMPTIONS FOR NONGENERAL FUND REVENUE ESTIMATES

Revenue and Transportation Interim Committee

Year	Assumption	2008	2009	2010	2011
Gasoline Tax					
FY	Taxable Gallons of Gasoline (Millions)	485.278	456.161	453.779	451.397
FY	Taxable Gallons of Gasoline -- Storage Tank Cleanup (Millions)	495.246	465.532		
		463.101	460.669		
FY	Refunds (Millions)	($2.282)	($2.145)	($2.134)	($2.123)
FY	Alcohol Incentive (Millions)	$0.000	$0.000	$0.000	$0.000
Diesel Tax					
FY	Taxable Gallons of Diesel (Millions)	277.333	252.493	256.112	259.732
FY	Taxable Gallons of Diesel -- Storage Tank Cleanup (Millions)	375.173	355.289	360.382	365.475
FY	Refunds (Millions)	($4.702)	($4.281)	($4.343)	($4.404)
GVW Fees					
FY	GVW Fees (Millions)	$9.266	$9.412	$9.560	$9.713
FY	Form 3 GVW Fees (Millions)	$1.137	$1.141	$1.145	$1.149
FY	Trip Permit Fees (Millions)	$0.642	$0.684	$0.729	$0.777
FY	County GVW Fees (Millions)	$10.827	$10.998	$11.171	$11.350
FY	Overweight Trip Permit Fees (Millions)	$3.185	$3.205	$3.224	$3.244
FY	Special Permit Fees (Millions)	$1.229	$1.242	$1.255	$1.269
FY	Temporary Fuel Permits (Millions)	$0.151	$0.157	$0.164	$0.170

FY	Other Fees (Millions)	$3.834	$3.888	$3.943	$4.000
6-Mill Levy Property Tax Indicators (See General Fund Property Tax Assumptions for Other Detail)					
FY	TAXABLE VALUE ADJUSTMENT FOR COURT DECISION ON RECLASSIFICATION OF PROPERTY (MILLIONS)				
		$0.000	$0.000	($39.048)	($39.048)
FY	Taxable Value -- Without Reappraisal (Millions)	$2,071.887	~~$2,135.710~~	~~$2,231.659~~	~~$2,300.783~~
			$2,143.082	~~$2,243.347~~	~~$2,289.845~~
				$2,204.299	$2,250.797
FY	Nonlevy Revenue (Millions)	$0.000	$0.844	$1.211	$1.185
FY	6-Mill Adjustments (Millions)	$0.000	$0.000	$0.000	$0.000

- END -

Alternative accessible formats of this document will be provided upon request. For further information call the Legislative Fiscal Division.

110 copies of this public document were published at an estimated cost of $16.36 per copy, for a total cost of $1,799.60, which includes $1,799.60 for printing and $0.00 for distribution

This document printed on recycled paper.